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BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

COMMISSIONERS

DOCKETED

MAY 21 2007

MIKE GLEASON - Chairman
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
KRISTIN K. MAYES
GARY PIERCE

DOCKETED BY NR

IN THE MATTER OF THE JOINT APPLICATION
OF LEVEL 3 COMMUNICATIONS, LLC, WITEL
COMMUNICATIONS, LLC, WITEL LOCAL
NETWORK, LLC AND BROADWING
COMMUNICATIONS, LLC FOR A LIMITED
WAIVER OF THE PUBLIC UTILITY HOLDING
COMPANIES AND AFFILIATED INTERESTS
RULES (A.A.C. R14-2-801 ET SEQ.) AND
ENCUMBRANCE OF ASSETS.

DOCKET NO. T-03654A-07-0101
T-03708A-07-0101
T-03779A-07-0101
T-04176A-07-0101

DECISION NO. 69580

ORDER

Open Meeting
May 8 and 9, 2007
Phoenix, Arizona

BY THE COMMISSION:

Having considered the entire record herein and being fully advised in the premises, the Arizona Corporation Commission ("Commission") finds, concludes, and orders that:

FINDINGS OF FACT

1. On February 16, 2007, Level 3 Communications, LLC ("Level 3"), WilTel Communications, LLC ("WilTel"), WilTel Local Network, LLC ("WilTel Local") and Broadwing Communications, LLC ("Broadwing") (collectively, "Applicants") filed a joint application with the Commission requesting a limited waiver of the Public Utility Holding Companies and Affiliated Interests Rules, A.A.C. R14-2-801 to 806 ("Rules"), and approval of the encumbrance of their assets pursuant to A.R.S. § 40-285 in connection with two separate financing arrangements.

2. On March 9, 2007, Applicants filed a Supplement to Application by which they informed the Commission that the amount of the Credit Agreement described in the application had increased from \$1 billion to \$1.4 billion.

3. Level 3 is a Delaware limited liability company certificated by the Commission to

1 provide facilities-based and resale local exchange, toll and access services in Arizona pursuant to
2 Decision No. 61737 (June 4, 1999). Level 3 is a wholly owned subsidiary of Level 3 Financing, Inc.,
3 which in turn is wholly owned by Level 3 Communications, Inc.

4 4. Broadwing, a subsidiary of Level 3, is a Delaware limited liability company
5 certificated by the Commission to provide resold and facilities-based intrastate telecommunications
6 services in Arizona pursuant to Decision No. 66105 (July 25, 2003).

7 5. WilTel, a subsidiary of Level 3, is a Delaware limited liability company certificated by
8 the Commission to provide resold and facilities-based competitive local exchange and inter-exchange
9 services pursuant to Commission Decision No. 62025 (November 2, 1999).

10 6. WilTel Local, a subsidiary of WilTel, is a Delaware limited liability company
11 certificated by the Commission to provide competitive resold and facilities-based local exchange,
12 exchange access, and intrastate dedicated access telecommunications services pursuant to Decision
13 No. 62727 (June 30, 2000).

14 7. By their application, Level 3, Broadwing, and WilTel request a limited waiver of the
15 Rules as they may apply to the two financing arrangements described in the application as
16 supplemented on March 9, 2007. Level 3, WilTel, WilTel Local, and Broadwing also seek approval
17 pursuant to A.R.S. § 40-285 to pledge their Arizona assets in association with the two financing
18 arrangements.

19 8. Proceeds of the first transaction will be used to refinance existing indebtedness. In the
20 first transaction, Level 3 Financing, Inc. plans to issue approximately \$1 billion in new notes to
21 qualified institutional buyers in offerings that are exempt from registration under federal securities
22 laws. Under the terms of the financing arrangement, the exempt notes will subsequently be
23 exchanged for registered notes ("Exchange Notes"). The notes consist of both 8.75 percent fixed
24 interest rate notes with a maturity date of 2017, and variable rate interest notes with a maturity date of
25 2015. Level 3, Broadwing, and WilTel plan to provide a guarantee in relation to the notes associated
26 with the first transaction.

27 9. In the second transaction, Level 3 Financing will enter into a Credit Agreement set to
28 mature in 2014 for up to \$1.4 billion, and for which Applicants request approval to pledge their

1 Arizona assets and act as guarantors. Applicants state that customer deposits and prepayments will
2 not be encumbered as part of this transaction.

3 10. Applicants assert that the proposed financing arrangements will promote competition
4 by availing Applicants with access to greater financial resources at favorable terms and will decrease
5 their expense on existing debt, thereby enhancing Applicants' ability to provide competitive
6 telecommunications services in Arizona.

7 11. Applicants caused notice of their application to be published in the *Arizona Republic*
8 on March 20, 2007.

9 12. On April 13, 2007, the Commission's Utilities Division Staff ("Staff") filed its Staff
10 Report on the application recommending conditional approval of the request for encumbrance of
11 assets and provision of a guarantee.

12 13. Staff recommends denial of Applicants' request for a limited waiver of the Rules.
13 Staff states that its analysis indicates that a limited waiver of the Rules does not sufficiently mitigate
14 potential harm to ratepayers in Arizona, and that the public interest is better served by conditionally
15 authorizing Applicants to issue guarantees, and to the extent necessary, to encumber their assets as
16 security for the proposed debt financing. Staff states that in this instance, a pledge of Applicants'
17 assets should not impair the availability of service to customers since they provide services that are
18 available from alternative service providers.

19 14. Applicants provide telecommunications services in competition with other providers
20 and are not incumbent providers of telecommunications services in Arizona. Applicants' customers
21 have alternate service provider choices at competitive rates to mitigate any inconvenience that may
22 result from an inability by Applicants to provide service.

23 15. Based on its review of the proposed transaction, Staff determined that the guarantee
24 and pledge of Arizona assets proposed in the application will not impair Applicants' collective
25 financial status, hinder their collective ability to attract capital at fair and reasonable terms or inhibit
26 their ability to provide safe, reasonable and adequate service.

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1 with sound financial practices, and with the proper provision of service by Applicants' as public
2 service corporations, and will not impair Applicants' ability to provide that service.

3 5. The encumbrance conditionally approved herein is for the purposes stated in the
4 application and is reasonably necessary for those purposes.

5 **ORDER**

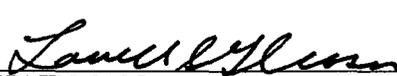
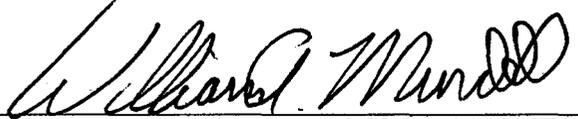
6 IT IS THEREFORE ORDERED that the application by Level 3 Communications, LLC,
7 WiTel Communications, LLC, WiTel Local Network, LLC and Broadwing Communications, LLC
8 for authorization to encumber assets as provided for herein, shall be, and hereby is, granted, subject
9 to the condition that all Arizona customer deposits and prepayments be excluded from encumbrance,
10 or in the alternative, that they are secured either by a bond which is not included in the pledged
11 collateral or with an irrevocable sight draft letter of credit which is not included in the pledged
12 collateral.

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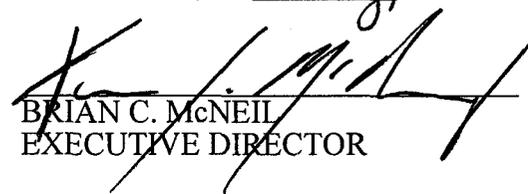
1 IT IS FURTHER ORDERED that Level 3 Communications, LLC, WilTel Communications,
2 LLC, WilTel Local Network, LLC and Broadwing Communications, LLC are hereby authorized to
3 engage in any transactions and to execute or cause to be executed any documents so as to effectuate
4 the authorizations granted herein.

5 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

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7 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

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10 CHAIRMAN COMMISSIONER
11  
12 COMMISSIONER COMMISSIONER COMMISSIONER

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14 IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive
15 Director of the Arizona Corporation Commission, have
16 hereunto set my hand and caused the official seal of the
17 Commission to be affixed at the Capitol, in the City of Phoenix,
18 this 21st day of May, 2007.

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20 BRIAN C. McNEIL
21 EXECUTIVE DIRECTOR

22 DISSENT _____

23 DISSENT _____

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SERVICE LIST FOR:

LEVEL 3 COMMUNICATIONS, LLC, WITEL
COMMUNICATIONS, LLC, WITEL LOCAL
NETWORK, LLC AND BROADWING
COMMUNICATIONS, LLC

DOCKET NO.:

T-03654A-07-0101 ET AL.

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