

ORIGINAL

NEW APPLICATION



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BEFORE THE ARIZONA CORPORATION COMMISSION

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SANDRA D. KENNEDY
Commissioner

PAUL NEWMAN
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BRENDA BURNS
Commissioner

In the Matter of the Joint Application of)

(1) Level 3 Communications, LLC, Broadwing
Communications, LLC, WilTel Communications,
LLC, and Global Crossing Telecommunications,
Inc. for a Limited Waiver of the Public Utility
Holding Companies and Affiliated Interest Rules
(A.A.C. R14-2-801 et seq.) or, in the alternative,
Approval of Guarantee under A.A.C. R14-2-804;

T-03654A-12-0380
T-04176A-12-0380
T-03708A-12-0380
T-02438B-12-0380

and)

(2) Level 3 Communications, LLC, Broadwing
Communications, LLC, WilTel Communications,
LLC, and Global Crossing Telecommunications,
Inc. for Authorization to Encumber and/or
Mortgage their Assets)

**VERIFIED JOINT APPLICATION FOR
LIMITED WAIVERS OF THE PUBLIC UTILITY HOLDING
COMPANIES AND AFFILIATES INTEREST RULES (A.A.C. R14-2-801 et seq.)
AND APPROVAL TO ENCUMBER AND/OR MORTGAGE ASSETS**

Pursuant to A.A.C. R14-2-806, Level 3 Communications, LLC (“Level 3 LLC”),
Broadwing Communications, LLC (“Broadwing”), WilTel Communications, LLC
 (“WilTel”), and Global Crossing Telecommunications, Inc. (“GC Telecommunications” and
collectively, the “Applicants”) request a limited waiver of the Arizona Corporation
Commission’s (“Commission”) Public Utility Holding Companies and Affiliated Interests

Rules, A.A.C. R14-2-801 to R14-2-806 (the "Rules"), in connection with three separate financing arrangements of Applicants' affiliate Level 3 Financing, Inc. ("Financing") under which Applicants will provide guarantees. In the alternative, Applicants request, to the extent necessary, approval under A.A.C. R14-2-804 for Applicants to provide the guarantees for the new financing arrangements of Level 3 Financing. Additionally, Applicants request an order from the Commission under A.R.S. § 40-285 authorizing the pledge, mortgage, lien and/or encumbrance of the utility plant and assets of the Applicants in connection with Applicants' participation in certain new financing arrangements of Financing.

In the first transaction, Applicants seek approval for Level 3 LLC to act as a guarantor for certain senior, unsecured notes recently issued by Financing, the immediate corporate parent of Level 3 LLC, to qualified institutional buyers ("Buyers") in an offering that was exempt from registration under U.S. Federal securities laws and aimed at refinancing existing notes that were also issued by Financing and had been previously guaranteed by Level 3 LLC pursuant to Commission authority. In a second transaction, Applicants seek approval to pledge assets and act as guarantors for the term loan arrangements recently completed by Level 3 Communications, Inc. ("Level 3") and Financing for a total amount of \$1.415 billion for the purpose of prepaying an existing term loan and other indebtedness. Finally, in a third transaction, Applicants seek approval to pledge assets and/or to act as guarantors for additional financing arrangements to be completed by Level 3 and/or Financing either in the form of an additional term loan or senior notes in an amount up to \$300 million, such amount to be used for prepayment of indebtedness, working capital requirements, and general corporate purposes.

DESCRIPTION OF APPLICANTS

Level 3 Communications, Inc. ("Level 3") is a publicly traded (NASDAQ: LVLT) Delaware corporation with principal offices located at 1025 Eldorado Boulevard, Broomfield, CO 80021. Level 3 provides high-quality voice and data services to carriers, internet service providers ("ISPs"), and other business customers over its IP-based network through its wholly owned indirect subsidiaries, including the Applicants. The Applicants are non-dominant carriers that are authorized to provide resold and/or facilities-based telecommunications services nationwide pursuant to certification, registration or tariff requirements, or on a deregulated basis. Applicants are also authorized by the Federal Communications Commission to provide international and domestic interstate services as non-dominant carriers.

In Arizona, the Applicants hold the following authorizations:

1. Level 3 LLC is authorized to provide facilities-based and resold local exchange, toll and access services pursuant to a CCN granted in Decision No. 61737 issued by the Commission in Docket No. T-03654A-98-0641 on June 4, 1999.
2. Broadwing¹ is authorized to provide resold and facilities-based local exchange and interexchange service pursuant to a CCN granted in Decision No. 66105 issued in Docket No. T-04176A-03-01785 on July 25, 2003.
3. Global Crossing² is authorized to provide interexchange telecommunications services pursuant to its CCN granted by Decision No. 54505 issued by the

¹ At the time the CCN was issued, Broadwing was named C III Communications Operations, LLC.

Commission in Docket No. U-2438-84-101 on April 29, 1985 as expanded by Decision 60501 issued on November 25, 1997.

4. WilTel³ is authorized to provide resold and facilities-based local exchange and interexchange telecommunications services pursuant to a CCN granted in Decision No. 62025 issued by the Commission in Docket No. T-03708A-99-0074 on November 2, 1999.⁴

Based on each of their operational revenues,⁵ Level 3 LLC, WilTel and Global Crossing are considered Class A utilities and, therefore, subject to the Rules.

For the Commission's convenience, a chart demonstrating the corporate organization of the Applicants and their affiliates is attached hereto as Exhibit A.

CONTACT INFORMATION

For the purposes of this Application, contacts for the Applicants are as follows:

² At the time the CCN was issued, Global Crossing was named Allnet Communications Services, Inc.

³ At the time the CCN was issued, WilTel was named Williams Communications, Inc.

⁴ Global Crossing Local Services, Inc. is also authorized in Arizona to provide facilities-based local exchange telecommunications services pursuant to its CCN granted by Decision No. 61622 issued by the Commission in Docket No. T-03658A-98-0653 on April 1, 1999. (At the time the CCN was issued, GC Local was named Frontier Local Services, Inc.) However, Global Crossing Local Services, Inc. will not be a participant in either of the financing transactions described herein.

⁵ Based on the 2011 Annual Reports filed with the Commission, Level 3 LLC, Global Crossing, and WilTel had greater than \$1 million in ACC- jurisdictional revenue. Based on the 2011 Annual Reports filed with the Commission, Broadwing (and Global Crossing Local Services, Inc.) had less than \$1 million in ACC-jurisdictional revenue and therefore is not considered a Class A utility.

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DESCRIPTION OF FINANCING TRANSACTIONS

Applicants request Commission approval to participate in three financing arrangements:

1. Financing has issued \$775 million aggregate principal amount of 7% Senior Notes due 2020 in a private offering to Buyers that was exempt from registration under U.S. Federal securities laws. Financing has lent the net proceeds it received to Level 3 LLC, in return for an intercompany demand note. The funds will be used to redeem senior notes

previously issued by Financing with an interest rate of 8.75% due 2017.⁶ Level 3 LLC requests approval from the Commission to act as a guarantor of the \$775 million Senior Notes issued by Financing. Level 3 LLC will enter into the guaranty in support of the \$775 million Senior Notes upon receipt of all required regulatory approvals.

2. Level 3 and Financing have entered into two tranches of term loans totaling \$1.415 billion. One tranche is for \$815 million with a 2019 maturity date, and the second tranche is for \$600 million with a 2016 maturity date. Financing has lent the net proceeds it received to Level 3 LLC, in return for an intercompany demand note. The funds were used to prepay an existing \$1.4 billion term loan with a 2014 maturity date and approximately \$15 million in other indebtedness. Applicants request Commission approval to pledge their assets and act as guarantors in support of the term loan arrangements of up to \$1.415 billion. Applicants submit that this transaction refinances the \$1.4 billion term loan for which the Applicants pledged assets and acted as guarantors pursuant to Commission approval⁷ and that the Applicants have pledged assets and acted as guarantors for other terms loans pursuant to Commission approval.⁸ Applicants emphasize that neither the pledge of jurisdictional assets nor the guaranty obligations described herein will be effective until all required regulatory approvals are obtained.

3. Level 3 and Financing are beginning to negotiate the terms of additional financing in an amount up to \$300 million such amount to be used for prepayment of indebtedness,

⁶ The Commission previously granted approval on May 21, 2007 for Level 3 LLC to guarantee the 8.75% notes due 2017. *See* Decision No. 69580.

⁷ The Commission previously granted approval on May 21, 2007 and June 21, 2011 for Applicants to pledge assets and act as guarantors in support of the \$1.4 billion term loan. *See* Decision No. 69580 and Decision No. 72431.

⁸ *See e.g.*, Decision No. 72431 (regarding \$650 million term loan); Decision No. 72889 (regarding \$550 million term loan).

working capital requirements, and general corporate purposes. This financing arrangement will be in the form of an additional term loan or additional issuance of senior notes by Level 3 or Financing depending on market conditions. Interest rates will likely be market rate for such financings. Applicants anticipate that this financing will require Applicants to pledge assets and/or to act as guarantors on the same terms as the other financing arrangements, and therefore request approval necessary for their participation in the financing arrangements. Applicants believe that having received Commission approval in advance will provide for better execution of the transaction in the marketplace.

Applicants' participation in these new financing arrangements will not result in a change in Applicants' management or in their day-to-day operations; nor will it adversely affect Applicants' current or proposed operations in Arizona. Moreover, Applicants will not be encumbering any customer deposits or prepayments as part of the transaction.

The financing arrangements that are the subject of this request will enable the parent company to successfully refinance its 8.75% Senior Notes at a lower interest rate and to borrow funds under favorable extended maturity terms and reduced interest expenses. The financing arrangements will also provide the parent company with funding to maintain and expand Applicants' networks and services. These improved financial arrangements will enable Applicants to continue delivering services to new markets thus allowing more consumers to benefit from their competitive services. Accordingly, and to the extent required, Applicants request that the Commission approve the participation of Applicants in the financial arrangements described herein.

BASIS FOR LIMITED WAIVERS

A. The Proposed Financing Arrangements Will Not Directly or Indirectly Result in or Cause an Increase in Applicants' Maximum Rates on File with the Commission for Any Competitive Service.

The Commission has granted partial waivers of the Rules. *See e.g.* Decision Nos. 64737, 68346 and 69212. In granting such waivers, the Commission determined that only when a transaction “could directly or indirectly result in or cause an increase in its maximum rate on file with the Commission for any competitive service” would a company have to make the necessary filings under A.A.C. R14-2-803, R14-2-804(A), (B), and (C), and R14-2-805. *See* Decision No. 64737. Indeed, the Commission has granted Level 3 LLC and its affiliates similar waivers in the past in comparable situations, namely the acquisitions of other telecommunications entities by Level 3 LLC’s ultimate parent company. *See* Decision No. 72300 (Level 3 financing waiver approval). There is no reason to treat this transaction differently.

In Arizona, Applicants primarily provide competitive wholesale services to other carriers, VoIP providers, and Internet Service Providers. The market for such services is highly competitive and prices are set by competition. With every product pricing change initiated by Applicants, competitors inevitably introduce new services or reprice their service in a manner believed to be even more attractive to the consumer. Accordingly, Applicants have no incentive or ability to charge unduly high or above-market prices that could be used to fund or subsidize unregulated affiliates or to commingle utility and non-utility funds in a manner that is harmful to Arizona consumers.

Moreover, Applicants will not be encumbering any customer deposits or prepayments as part of the transaction.

Finally, following the consummation of the financing arrangements, Applicants will continue to offer their services with no change in the rates or terms and conditions. Applicants do not anticipate that financing arrangements will cause them to increase their maximum rates on file with the Commission for their competitive services.

B. The Proposed Transactions and Related Financing Arrangements Are Otherwise in the Public Interest

Applicants submit that the financing transactions described herein will serve the public interest. Applicants emphasize that their participation in the financing as guarantors will not result in a change in their ownership or in their day-to-day operations. The proceeds from the Term Loan will be used for working capital and for other permissible general corporate purposes. The Applicants expect the financing to further enable the Applicants to bring services to new markets and allow more consumers to benefit from their competitive services. Accordingly, and to the extent required, Applicants request that the Commission approve their participation in the financing arrangements described herein.

Approval of the financing arrangements described herein will serve the public interest. The financing arrangements enable Applicants and their parent to refinance their obligations now allowing them to extend significantly the maturity dates of certain obligations at reasonable terms thus reducing the future refinancing risks associated with the scheduled maturities described herein. This step is a part of the companies' ongoing efforts to manage their maturity profile and continue to strengthen their overall credit profile. By eliminating risk associated with the uncertainties of future credit markets, it is expected that the capital markets and customers will view this step on the part of the companies favorably. As such, Applicants expect the financing arrangements will provide greater access to capital, which will yield both financial benefits and operational flexibility that will ultimately inure

to the benefit of Applicants' Arizona customers and that existing and future customers will have a more favorable view of the financial health of Applicants. The financing arrangements will strengthen Applicants' financial position and their ability to bring competitive telecommunications services to consumers in the State of Arizona. Furthermore, the financing arrangements 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 consummation of the financing arrangements, Applicants will continue to provide high-quality communications services to their customers without interruption and without immediate change in rates, terms or conditions.

C. Verification.

Under A.A.C. R14-2-806(B), any request for a waiver of the Rules must be made by verified application. Accordingly, attached hereto is the Affidavit of Richard E. Thayer, the Senior Counsel of Level 3 Communications, Inc., attesting to the accuracy of the factual statements in this Application.

ALTERNATIVE REQUEST FOR APPROVAL UNDER RULE 804.

A. Introduction.

If the Commission does not grant the limited waivers requested above, Applicants request that the Commission authorize Applicants to provide the guarantees under A.A.C. R14-2-804(B)(1), which contemplates there will be situations where a certificated public service provider will need to issue guarantees for a holding company. As set forth in more detail above, approval of this application will enable Applicants to complete a transaction

and enter into financing arrangements that will benefit the combined entity. This will strengthen Applicants, and it will also serve to promote competition in Arizona's telecommunications markets.

B. Rule 804 information.

Applicants' alternative request for approval under A.A.C. R14-2-804(B)(1) is in the public interest for the reasons already set forth above. Under A.A.C. R14-2-804(C), the Commission will review the proposed guarantee to "to determine if the transaction would impair the financial status of the public utility, otherwise prevent it from attracting capital at fair and reasonable terms, or impair the ability of the public utility to provide safe, reasonable and adequate service." This is often known as the "no impairment" standard. The proposed guarantee does not violate the no impairment standard because the financing arrangements will strengthen the financial status of the public utility, as described herein.

REQUEST FOR APPROVAL OF ENCUMBRANCE

Under A.R.S. § 40-285(A), a "public service corporation shall not sell, lease, assign, mortgage or otherwise dispose of or encumber the whole or any part of its railroad, line, plant, or system necessary or useful in the performance of its duties to the public, or any franchise or permit or any right thereunder" without approval from the Commission. Accordingly, the Applicants request approval to encumber any part of their "line, plant or system" located in Arizona in connection with the transactions described herein. The proposed encumbrance is described in "Description of the Financing Transactions" above. Moreover, Applicants will not be encumbering any customer deposits or prepayments. The encumbrance is in the public interest because it will enable the Applicants to complete the

proposed financing transactions, thus strengthening their ability to compete in the highly-competitive telecommunications marketplace.

RELIEF REQUESTED

WHEREFORE, Applicants respectfully request that the Commission:

1. Waive the requirement of A.A.C. R14-2-804(B) that Applicants obtain Commission approval, to the extent necessary, prior to Applicants providing guarantees in connection with the financing arrangements described herein, or in the alternative, authorize Applicants to provide a guarantee in support of such financing arrangements.

2. Waive any other applicable requirements of the Rules as they may apply to the financing transaction described herein.

3. Authorize under A.R.S. § 40-285 the pledge, mortgage, lien and/or encumbrance of the utility plant and assets of Applicants in connection with certain financing arrangements described herein.

RESPECTFULLY SUBMITTED this 30th day of August, 2012.

ROSKA DEWULF & PATTEN



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Attorneys for Applicants

ORIGINAL and thirteen (13) copies
of the foregoing filed
this 30th day of August, 2012, with:

The Arizona Corporation Commission
Docket Control
1200 W. Washington Street
Phoenix, Arizona 85007

Copy of the foregoing hand-delivered
this 30th day of August, 2012, to:

Janice Alward, Esq., Chief Counsel
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Steve Olea, Director
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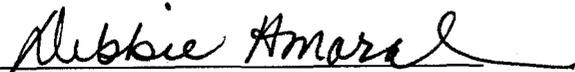
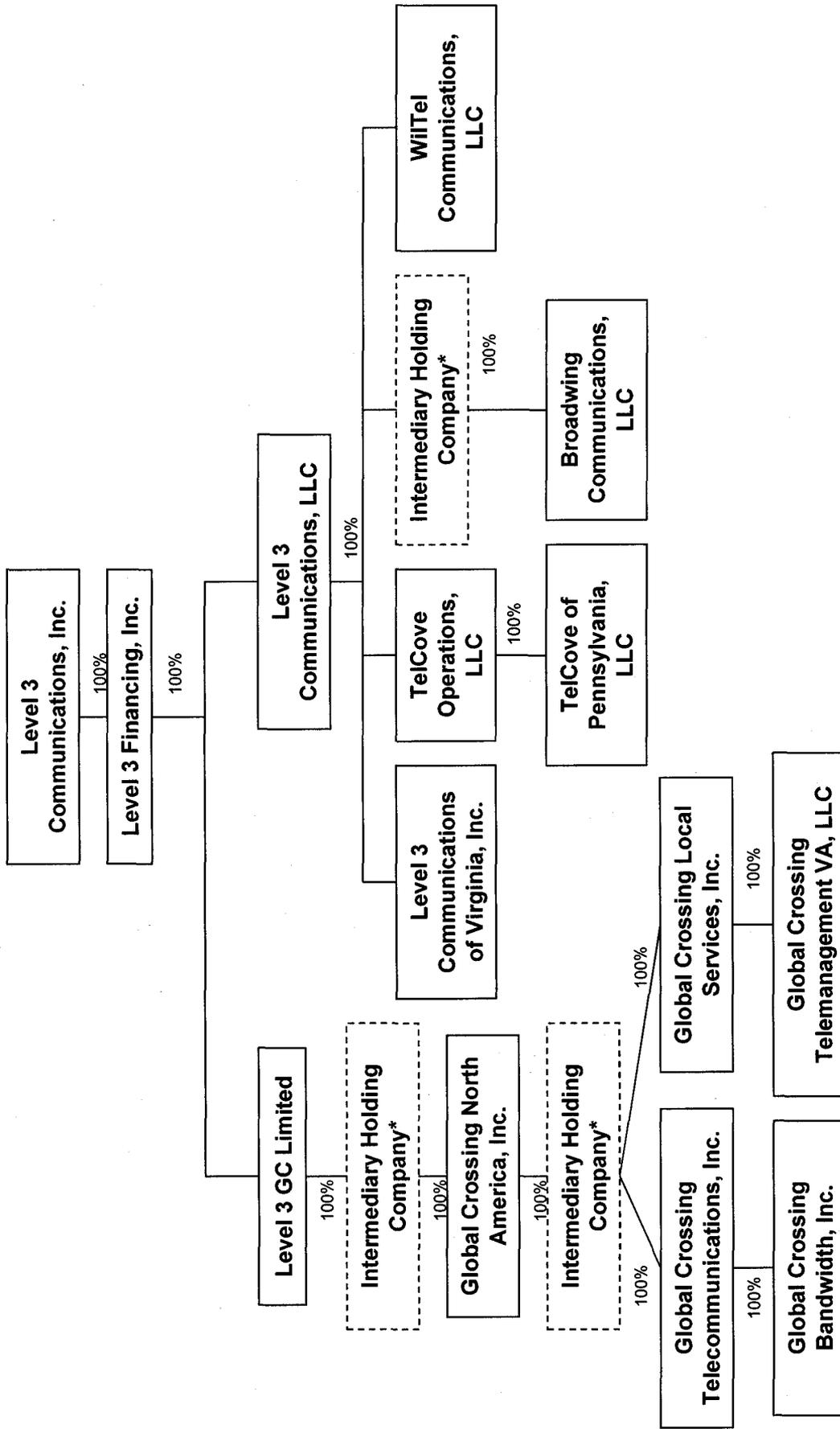


EXHIBIT A

Level 3 Corporate Organizational Chart

Level 3 Corporate Structure



*Intermediary holding companies omitted for purposes of clarity—none are certificated telecommunications service providers. Broadwing Communications, LLC is 100% indirectly owned by Level 3 Communications, LLC. Level 3 Communications of Virginia, Inc., Telcove Operations, LLC and WiTel Communications, LLC are each 100% directly held by Level 3 Communications, LLC.

EXHIBIT B

Verification of Joint Application

VERIFICATION

STATE OF COLORADO

§

COUNTY OF BROOMFIELD

§

§

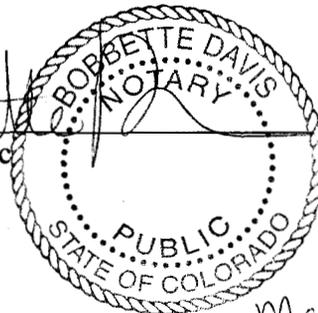
I, Richard E. Thayer, state that I am Senior Counsel for Level 3 Communications, LLC; that I am authorized to make this Verification on behalf of Level 3 Communications, LLC and its subsidiaries; that the foregoing filing was prepared under my direction and supervision; and that the statements in the foregoing document are true and correct to the best of my knowledge, information, and belief.



Name: Richard E. Thayer
Title: Senior Counsel
Level 3 Communications, LLC

SWORN TO AND SUBSCRIBED before me on the 17 day of August, 2012.


Notary Public



My commission expires: May 9, 2015

My Commission Expires May 9, 2015