

ORIGINAL NEW APPLICATION



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BEFORE THE ARIZONA CORPORATION COMMISSION

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Arizona Corporation Commission

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AZ CORP COMMISSION
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In the Matter of the Joint Application of)
 (1) Level 3 Communications, Inc., tw telecom inc.,)
 tw telecom holdings inc. and tw telecom of)
 arizona llc 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 a Transfer of Control)
 of tw telecom of arizona llc)
 under A.A.C. R17-2-803; and)
)
 (2) Level 3 Communications, LLC, WilTel)
 Communications, LLC, Global Crossing)
 Telecommunications, Inc.,)
 and tw telecom of arizona llc 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 a Guarantee under A.A.C. R14-2-804)
)

T-03654A-14-0252
 T-04176A-14-0252
 T-02438B-14-0252
 T-03658A-14-0252
 T-03708A-14-0252
 T-03943A-14-0252

**JOINT APPLICATION FOR
 LIMITED WAIVERS OF THE PUBLIC UTILITY HOLDING
 COMPANIES AND AFFILIATED INTEREST RULES (A.A.C. R14-2-801 et seq.)**

Pursuant to A.A.C. R14-2-806, Level 3 Communications, Inc. ("Level 3"), Level 3 Communications, LLC ("Level 3 LLC"), Broadwing Communications, LLC ("Broadwing"), Global Crossing Telecommunications, Inc. ("GC Telecommunications"), Global Crossing Local Services, Inc. ("GC Local"), WilTel Communications, LLC ("WilTel" and collectively with Level 3 LLC, Broadwing, GC Telecommunications, and GC Local, the "Level 3 Companies") tw telecom inc. ("tw telecom"), tw telecom holdings inc. ("tw telecom

holdings”) and tw telecom of arizona llc (“tw telecom arizona”) 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”) with respect to:

1. A proposed transaction whereby Level 3 will acquire indirect control of tw telecom arizona, a non-dominant carrier that holds authority from the Commission to provide intrastate telecommunications services in Arizona.

2. New financing arrangements of Level 3’s subsidiary Level 3 Financing, Inc. (“Level 3 Financing”) under which the Level 3 Companies and tw telecom arizona will provide guarantees.

In the event the Commission declines to grant the waivers under A.A.C. R14-2-806, the Level 3 Companies and tw telecom arizona alternatively request, to the extent necessary, authorization under the A.A.C. R14-2-803 for Level 3’s acquisition of tw telecom Arizona and approval under A.A.C. R14-2-804 to provide guarantees for the new financing arrangements of Level 3 Financing.

The Level 3 Companies and tw telecom arizona are each competitive telecommunications carriers that hold authority to provide intrastate telecommunications services in Arizona. As discussed below, the proposed transactions are in the public interest and will produce benefits to the advantage of customers. The proposed transactions will involve a change in the ultimate ownership of tw telecom arizona at the holding company level but will not result in any assignment of any certificates, assets or customers. The Level 3 Companies and tw telecom arizona will continue to serve their existing customers in Arizona pursuant to their respective authorizations under the same rates, terms and

conditions. Accordingly, for all practical purposes, these transactions will be transparent to the customers of the Level 3 Companies and tw telecom arizona.

Applicants request that the Commission allow the requested waivers regarding the reorganization and the financing arrangement to become effect in thirty (30) days pursuant to A.A.C. R14-2-806.C. Alternatively, Applicants request that the Commission act expeditiously to grant the approval requested herein prior to, but no later than the Commission's Open Meeting scheduled for September 9, 2014, so that Applicants can timely consummate the proposed transactions.

INTRODUCTION

Level 3 LLC holds a Certificate of Convenience and Necessity ("CCN") to provide competitive telecommunications services in Arizona. Decision No. 61737 (June 4, 1999). GC Telecommunications¹ holds a CCN to provide interexchange telecommunications services in Arizona. Decision No. 54505 (April 29, 1985) and Decision 60501 (November 25, 1997). WilTel² holds a CCN to provide resold and facilities-based local exchange and interexchange telecommunications services in Arizona. Decision No. 62025 (November 2, 1999). tw telecom arizona³ holds a CCN to provide competitive telecommunications services in Arizona. Decision No. 63262 (December 14, 2000). Based on their operational revenues,⁴ Level 3 LLC, GC Telecommunications,⁴ WilTel and tw telecom arizona are each

¹ At the time the CCN was issued, GC Telecommunications was named Allnet Communications Services, Inc.

² At the time the CCN was issued, WilTel was named Williams Communications, Inc.

³ At the time the CCN was issued, tw telecom arizona was named Time Warner Telecom of Arizona LLC.

⁴ Based on the 2013 Annual Report filed with the Commission, Level 3 LLC, GC Telecommunications, WilTel and tw telecom arizona each had greater than \$1 million in jurisdictional revenue. Based on the 2013 Annual Reports filed with the Commission, Broadwing

considered a Class A utility and, therefore, subject to the Rules. The Rules regulate the formation of public utility holding companies and certain transactions and activities between public service corporations and their affiliated interests. According to the Commission, the Rules are intended to: (i) prevent the commingling of utility and non-utility funds; (ii) prohibit cross-subsidization of non-utility activities by utility ratepayers; (iii) prevent negative impact of non-utility activities on a utility's financial credit; and (iv) ensure that the utility and its affiliates provide the Commission with the information necessary to "carry out its regulatory responsibilities." *See* Decision Nos. 56618 and 56844.

Applicants submit that, in light of the Rules' stated purposes, Applicants should be exempt from the requirements of the Rules for the purposes of the indirect acquisition of tw telecom arizona by Level 3 and the related financing arrangements described herein. As explained below, Applicants operate in a highly competitive environment that effectively protects customers from activities that will detrimentally affect service to customers. Moreover, although the proposed transaction will result in a change in the ultimate ownership of tw telecom arizona, no transfer of certificates, assets, or customers will occur. tw telecom arizona will continue to provide service to its customers in Arizona pursuant to Commission authorizations under the same rates, terms, and conditions. Any customer deposits held by tw telecom arizona will not be encumbered or otherwise pledged as part of the proposed financing arrangements. This transaction and related financing arrangements will be transparent to the customers of the Applicants. In this instance, application of the Rules to Applicants would be unreasonably costly and burdensome. Finally, a limited waiver of these Rules, as permitted under A.A.C. R2-14-806, is in the public interest.

and GC Local each had less than \$1 million in jurisdictional revenue and therefore are not considered Class A utilities.

Therefore, Applicants request a limited waiver of the Rules as they may apply to the transaction and related financing arrangements described below.

DESCRIPTION OF APPLICANTS

A. Level 3 and the Level 3 Companies

Level 3 is a publicly traded (NYSE: LVLT) Delaware corporation with principal offices located at 1025 Eldorado Boulevard, Broomfield, CO 80021. Saturn Merger Sub 1, LLC and Saturn Merger Sub 2, LLC (together the "Merger Subs") are Delaware limited liability companies and wholly owned subsidiaries of Level 3 that were recently formed for the purpose of accomplishing the proposed transaction. Level 3 provides high-quality voice and data services to enterprise, government, wholesale and carrier customers over its IP-based network through its wholly owned indirect subsidiaries, the Level 3 Companies. Level 3 serves 119 markets in North America with 74,000 intercity fiber route miles. The Level 3 Companies 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. The Level 3 Companies are also authorized by the Federal Communications Commission ("FCC") to provide international and domestic interstate services as non-dominant carriers.

Below is a brief description of the Arizona authority held by each of the Level 3 Companies:

- A. 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.

- B. Broadwing⁵ 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.
- C. GC Telecommunications is authorized to provide interexchange telecommunications services pursuant to its CCN granted by Decision No. 54505 issued by the Commission in Docket No. U-2438-84-101 on April 29, 1985 as expanded by Decision 60501 issued on November 25, 1997.
- D. GC Local⁶ is authorized to provide facilities-based local exchange telecommunications services pursuant to its CCN granted by Decision No. 61622 issued by the Commission in Docket T-03658A-98-0653 on April 1, 1999.
- E. WilTel 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.

B. tw telecom inc., tw telecom holdings inc. and tw telecom of arizona llc

tw telecom is a publicly traded (NASDAQ: TWTC) Delaware corporation with its headquarters at 10475 Park Meadows Drive, Littleton, CO 80124. tw telecom's operating subsidiaries, including tw telecom arizona, provide managed network services, business Ethernet, data networking, converged, Internet Protocol ("IP") based virtual private network or "IP VPN", Internet access, voice, including voice over Internet Protocol or "VoIP", and network security services to a broad range of business and carrier customers. tw telecom serves approximately 76 markets in the U.S. with its own fiber network and its network spans over 24,300 route miles.

tw telecom holdings, a wholly owned subsidiary of tw telecom, is the parent of tw telecom arizona.

tw telecom's operating subsidiaries are authorized to provide telecommunications services as competitive, non-dominant carriers pursuant to certification, registration or tariff

⁵ At the time the CCN was issued, Broadwing was named C III Communications Operations, LLC.

⁶ At the time the CCN was issued, GC Local was named Frontier Local Services, Inc.

requirements, or on a deregulated basis in 46 states⁷ and the District of Columbia. tw telecom's operating subsidiaries are also authorized by the FCC to provide international and domestic interstate services as non-dominant carriers. In Arizona, tw telecom arizona is authorized pursuant to a CCN granted in Decision No. 63262 issued in Docket No. T-03943A-00-0782 on December 14, 2000.⁸

CONTACT INFORMATION

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

For Level 3, Merger Subs and the Level 3 Companies:

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⁷ tw telecom data services llc has state authorization applications pending before state commissions in Delaware, Maine and Wyoming. tw telecom of iowa llc has a state authorization application to expand its scope of service pending before the state commission in Iowa.

⁸ tw telecom arizona's authority was granted to Time Warner Telecom in Decision No. 70057. A name change to tw telecom arizona occurred via a notice filing on 5-14-08.

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DESCRIPTION OF TRANSFER OF CONTROL AND RELATED TRANSACTIONS

A. Transfer of tw telecom arizona

On June 15, 2014, Level 3, the Merger Subs, and tw telecom entered into an Agreement and Plan of Merger (the "Agreement") whereby Saturn Merger Sub 1, LLC and tw telecom will be merged, with tw telecom surviving the merger. Immediately thereafter, tw telecom will merge with and into Saturn Merger Sub 2, LLC, with Saturn Merger Sub 2, LLC surviving the merger and continuing as a wholly owned subsidiary of Level 3 and Level 3 Financing. Saturn Merger Sub 2, LLC will be renamed tw telecom, llc. Pursuant to the Agreement, each issued and outstanding common share of tw telecom (other than any shares owned by any dissenting stockholders) will be exchanged for 0.7 shares of Level 3 common stock plus \$10 cash. In total, Level 3 currently expects to issue approximately 98 million shares. These steps will transfer ultimate control of tw telecom arizona and other tw telecom subsidiaries to Level 3.

STT Crossing Ltd. holds an approximate 23.4% interest in Level 3 and will hold approximately 16.3% of the outstanding Level 3 common stock as a result of these transactions.² Southeastern Asset Management, Inc. currently holds an approximate 21.7% interest in Level 3 and will hold approximately 16.6% of the outstanding Level 3 common

⁹ The percentages reflected are accurate based upon public records available as of the date of this filing.

stock as a result of these transactions.¹⁰ Other than STT Crossing Ltd. and Southeastern Asset Management, Inc., no other individual or entity is expected to hold 10% or more of the outstanding Level 3 common stock. As a result of the transaction, Level 3 will indirectly control tw telecom's operating subsidiaries including tw telecom arizona. For the Commission's convenience, pre- and post-transaction organizational charts are provided as **Exhibit A**. A copy of the Agreement is included as an exhibit to the Form 8-K filed by Level 3 with the U.S. Securities and Exchange Commission and is available at https://www.sec.gov/Archives/edgar/data/794323/000110465914046560/a14-15513_4ex2d1.htm.

Immediately after consummation of the transaction, tw telecom arizona will continue to operate its facilities and provide service to its customers under the same name and at the same rates, terms, and conditions, ensuring a seamless transition of ownership without confusion or adverse impact to customers.

B. Participation in Certain Financing Arrangements of Level 3 Financing

Applicants request a limited waiver of the Rules or approval, as appropriate, for the Level 3 Companies and tw telecom arizona to participate in certain financing arrangements necessary to incorporate the tw telecom companies in Level 3's financial structure in connection with the consummation of the merger, to fund a portion of the purchase price relating to the transfer of control transaction described herein and to provide additional working capital.

First, upon closing of the merger, the tw telecom subsidiaries, including tw telecom arizona, will be required to participate in Level 3 Financing's current financing arrangements by providing a guarantee of Level 3 Financing's existing indebtedness, including various issuances

¹⁰ The percentages reflected are accurate based upon public records available as of the date of this filing.

of Senior Notes and Level 3 Financing's existing credit facility.¹¹ Level 3 Financing is a wholly owned unregulated non-carrier subsidiary of Level 3. Accordingly, Applicants request authority, to the extent necessary absent a waiver under A.A.C. R14-2-806, for tw telecom arizona to provide various guarantees in connection with Level 3's existing financing arrangements.

Second, Level 3 Financing plans to enter into additional financing arrangements in an amount of up to \$3.2 billion in order to fund a portion of the consideration payable to tw telecom stockholders in connection with the proposed transaction, pay costs and expenses related to the transaction including a \$10 cash consideration for each tw telecom share, refinance existing tw telecom debt, and provide Level 3 additional working capital. Level 3 Financing plans to lend the net proceeds it receives to its subsidiary, Level 3 LLC, in return for an intercompany demand note. Appropriate intercompany arrangements will be implemented to fund the necessary amounts required to repay or prepay the existing tw telecom debt. Some of these arrangements may result in the appropriate tw telecom subsidiary providing an intercompany demand note in return for the cash proceeds required to repay the existing tw telecom debt.

¹¹ The Level 3 Companies have previously obtained Commission authority for these financing arrangements. *See e.g.*, Docket No. T-03654A-14-001 granted February 1, 2014 (\$640M 6.125% Senior Notes due 2021); Docket No. T-03654A-13-0366 granted November 25, 2013 (\$815M Tranche B-III 2019 Term Loan, \$595.5M Tranche B 2020 Term Loan, and \$1.2B Additional Tranche B 2020 Term Loan); Docket No. T-03654A-12-380 granted November 7, 2012 (\$775M 7% Senior Notes due 2020 and \$300M floating notes); Docket No. T-03654A-12-0057 granted April 5, 2012 (\$900M 8.625% Senior Notes due 2019); Docket No. T-03654A-11-0441 granted February 14, 2012 (additional \$100M 8.125% Senior Notes due 2019); Docket No. T-03654A-11-0167 granted June 21, 2011 (\$1.1B 8.125% Senior Notes due 2019); Docket No. T-03654A-11-0106 granted April 27, 2011 (\$500M 9.375% Senior Notes).

Level 3 expects that up to \$2.6 billion of the total amount of new financing will be secured by assets of the merged companies.¹² The company's subsidiaries will also provide guarantees for the secured amount. The remainder, or difference, of the amount borrowed that is secured debt (up to \$2.6 billion) subtracted from a total of \$3.2 billion will be unsecured. Level 3 expects that the new financing will consist of long-term term loans under Level 3 Financing's existing credit facility, secured and/or unsecured senior notes, and/or bridge loans that are convertible to long-term loans or which will be refinanced with the issuance of senior notes in exchange for the bridge loans. Level 3 expects that the long-term indebtedness incurred as a part of this new financing will mature between six (6) and eight (8) years after issuance depending on the type of debt issued. Level 3 will pursue the most favorable combination of these financing vehicles in response to rapidly changing market conditions. Interest rates will be the market rate for similar financings, could be fixed or floating, or a combination thereof depending on the type of debt securities and market conditions, and will be determined at the time the financing is finalized.

Accordingly, in order to maintain adequate flexibility to respond to rapidly changing market requirements for the new financing, Applicants seek authority, to the extent necessary absent a waiver under A.A.C. R14-2-806, for the Level 3 Companies and tw telecom of arizona to provide necessary guarantees for the new financing arrangements in the aggregate amount of \$3.2 billion consistent with the parameters outlined above.

¹² Any deposits held by tw telecom arizona will not be pledged.

BASIS FOR LIMITED WAIVERS

A. The Commission Should Grant a Waiver Under A.A.C. R14-2-806 for the Transactions Involving Competitive Telecommunications Carriers

A waiver under A.A.C. R14-2-806 Rules would be appropriate in this instance because the carriers involved in this transaction operate in a competitive telecommunications environment and the transaction will not impact the rates, terms or conditions of service for current tw telecom arizona customers. Allowing a waiver under Rule 806 also would be consistent with the Commission's response to: (i) merger applications filed in Docket T-20872A-13-0281 (In re AT&T Corp., Teleport Communications of America, LLC and Leap Wireless International, Inc. Application for Limited Waiver) and Docket No T-04293A-14-0147 (In re Time Warner Cable and Comcast Application for Limited Waiver and Docket T-20872A-14-0186) and (ii) financing applications filed in Docket Nos. T-20872A-13-0282 et al. (Level 3 entities) and Docket Nos. T-20872A-13-0366 et al. (Level 3 entities).

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 customer. 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 customers.

In addition, following the consummation of the proposed transaction and related financing arrangements, Applicants will continue to offer their services with no change in the rates or terms and conditions. Applicants do not anticipate that the transaction and related

financing arrangements will cause either of them to increase their maximum rates on file with the Commission for their competitive services. Applicants stress that both companies primarily provide wholesale services and neither company provides services to residential customers.

B. Applying the Rules to the Proposed Transaction and Related Financing Arrangements Would Be Unnecessarily Costly and Burdensome

As any company subject to the Rules can attest, filings under R14-2-803 and R14-2-804(B), (C) and (D) require significant financial and business information, some of which may not be part of the normal analysis a competitive company may go through in determining whether to undertake a transaction. A competitive company expends significant resources and time to comply with the Rules. Further, once the voluminous information is filed, the approval process can take many months. In a competitive industry, delaying a transaction for an indefinite period while awaiting Commission approval can have significant negative effects on the value of the transaction for both parties and in some instances may preclude the companies from going forward with the transaction.

In instances such as this when a public utility with no monopoly power competes in a competitive market, with its revenues from and investment in Arizona comprising only a small portion of its total corporate family revenues and investment, application of the Rules is not necessary for such a transaction. The risk to Arizona customers from Applicants' proposed transaction is remote at best and compliance with the Rules would be unduly burdensome. Applying the Rules to this transaction and related financing arrangements would constitute over-regulation and would cause needless expense and unnecessary administrative burdens for the Applicants and the Commission.

C. The Proposed Transaction and Related Financing Arrangements Is Otherwise in the Public Interest

Applicants submit that the transactions described herein will serve the public interest.

The transaction will bring together two successful competitive carrier organizations that have proven themselves in a highly competitive marketplace. Applicants expect that the merger will enable the combined entity to better meet the local, national and global needs of enterprises, wholesale buyers, and other customers. tw telecom's customers will benefit from Level 3's extensive local-to-global footprint. Existing and prospective customers of both companies will benefit from the combined product portfolio including a focus on helping enterprises and carriers manage growth.

The transaction will enhance competition by combining two complementary, non-dominant carriers and strengthen their ability to compete against larger carriers such as Qwest, AT&T and Verizon in enterprise and wholesale markets in the United States. Level 3's extensive long-haul and metro networks are complementary to tw telecom's deep metro footprint. Operation as an integrated company will allow each of the operating companies to be more competitive and to deliver greater value and variety of services to their customers than they do individually.

Significant financial benefits are expected to be generated from the transaction. The combination is expected to provide \$240 million of annualized synergies, with \$200 million of annualized adjusted EBITDA savings and \$40 million from capital expense savings. The net present value of the potential synergies is expected to be approximately \$2 billion. The transaction is expected to be accretive to Level 3's Free Cash Flow per share after the first year following closing and deleveraging since Level 3's Net Debt to adjusted EBITDA is expected to improve from 4.6x to 4.5x.

Moreover, the transaction will be conducted in a manner that will be transparent to customers of the Level 3 Companies and tw telecom arizona. The transaction 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 transaction, the Level 3 Companies and tw telecom arizona will continue to provide high-quality communications services to their customers without interruption and without immediate change in rates, terms or conditions.

The public interest will also be served by expeditious consideration and approval of the transaction. For various important business, tax and financial reasons, Applicants require that the transaction be closed as quickly as possible. Delay in the regulatory approval process – and thus in the ability of the Applicants to move forward promptly with the integration process – risks creating uncertainty and competitive harm. In particular, the competitive telecommunications marketplace continues to be a very challenging business environment. The proposed transaction is aimed at strengthening the competitive position of the combined entities and, therefore, delay in the regulatory approval process prevents the parties from realizing the economic benefits of integration of the carriers' networks or offering the expanded combined network footprint to customers as quickly as the parties otherwise could.

D. 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 as **Exhibit B** are the Affidavits of Richard E. Thayer, the Senior Counsel of Level 3 Communications, LLC and Tina Davis, Senior Vice

President and Deputy General Counsel for tw telecom attesting to the accuracy of the factual statements in this Joint Application.

ALTERNATIVE REQUEST FOR APPROVAL UNDER RULES 803 AND 804.

A. Introduction.

If the Commission does not grant the limited waivers requested above, Applicants request that the Commission authorize (1) Level 3 and tw telecom arizona to complete the transaction and resulting reorganization of a Public Utility Holding Company under A.A.C. R14-2-803(B), and (2) the Level 3 Companies and tw telecom arizona to provide the guarantee 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 803(A) information.

The Applicants provide the following information as required by Rule 803(A):

1. *The names and business addresses of the proposed officers and directors of the holding company.* See Level 3 Communications, Inc. 2014 Proxy Statement for the current officers and directors of Level 3 (available at: http://investors.level3.com/files/doc_downloads/Annual%20Report%20&%20Proxy/2013%20Annual%20Report-2014%20Proxy_v001_f0w9p1.pdf). Level 3's management team is highly experienced in telecommunications.

2. *The business purposes for establishing or reorganizing the holding company.*

See “Description of the Transfer of Control and Related Transactions” above.

3. *The proposed method of financing the holding company and the resultant capital structure.* See “Description of the Transfer of Control and Related Transactions” above.

4. *The resultant effect on the capital structure of the utility.* The Applicants do not expect the change of control to result in a change to the capital structures of the Applicants.

5. *An organization chart of the holding company that identifies all affiliates and their relationships within the holding company.* See **Exhibit A**.

6. *The proposed method for allocating federal and state income taxes to the subsidiaries of the holding company.* The Applicants do not expect any change in their current tax allocation methods to occur as a result of the transfer of control.

7. *The anticipated changes in the utility’s cost of service and the cost of capital attributable to the reorganization.* The Applicants note that as non-dominant carriers, their rates are not regulated on a cost of service basis, as contemplated by this question. Moreover, the Applicants do not have residential customers. In any event, the Applicants do not expect any change to their cost of service or capital structures as a result of the transfer of control. As described above, the transfer of control should be transparent and seamless for customers.

8. *A description of diversification plans of affiliates of the holding company.* For a description of the types of business conducted by the Level 3 Companies, see the Level 3 Communications, Inc. Form 10-K, available at: <http://level3.q4cdn.com/fb1d05c4-ab76-4d5b-9974-a2109d013563.pdf>.

9. *Copies of all relevant documents and filings with the United States Securities and Exchange Commission and other federal and state agencies.* Applicants have provided a link to the SEC Form 10-K for Level 3 Communications, Inc. Any other necessary SEC filings are publicly available online.

10. *The contemplated annual and cumulative investment in each affiliate for the next five years, in dollars and as a percentage of projected net utility plant, and an explanation of the reasons supporting the level of investment and the reasons this level will not increase the risks of investment in the public utility.* The Applicants note that as non-dominant carriers, their rates are not regulated on a cost of service basis, as contemplated by this question. In any event, specific projections for each affiliate for each of the next five years are not available. The future levels of investment will be determined in response to market forces and operational needs.

11. *An explanation of the manner in which the utility can assure that adequate capital will be available for the construction of necessary new utility plant and for improvements in existing utility plant at no greater cost than if the utility or its affiliate did not organize or reorganize as a public utility holding company.* The Applicants note that as non-dominant carriers, their rates are not regulated on a cost of service basis, as contemplated by this question. In any event, Level 3 Communications, Inc., as the holding company of the Level 3 Companies, has a long track record showing its ability to provide sufficient facilities to ensure an adequate level of service.

C. Rule 804 information.

The Level 3 Companies' and tw telecom arizona's 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 combined companies will likely be stronger than if they remained separate. Level 3 has a demonstrated history of successful telecommunications acquisitions, including the WilTel, Broadwing and GC Telecommunications and GC Local acquisitions described above.

RELIEF REQUESTED

WHEREFORE, Applicant respectfully requests that the Commission:

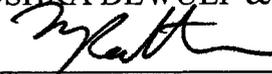
1. Waive all notice and approval requirements in A.A.C. R14-2-803 and 804 pursuant to A.A.C. R14-2-806.
2. In the alternative, grant approval under A.A.C. R14-2-803 and A.A.C. R14-2-804 of the requested reorganization and related financing arrangements as described in this Application.
3. Waive any other applicable requirements of the Rules as they may apply to the transaction described herein.

In light of the many business and financial considerations affected by the timing of the approval process, Applicants respectfully request that the Commission commence its examination of the proposed transaction as quickly as possible. In the event the Commission does not allow for the requested waivers under A.A.C. R14-2-806, Applicants request that the Commission schedule consideration of this Application at no later than the September 9,

2014 Commission Open Meeting so that Commission review and approval can be completed within 90 days of filing.

RESPECTFULLY SUBMITTED this 2^d day of July, 2014.

ROSKA DEWULF & PATTEN



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Attorney for Level 3, Merger Subs and the
Level 3 Companies

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Attorney for tw telecom, tw telecom holdings
and tw telecom arizona

ORIGINAL and thirteen (13) copies
of the foregoing filed
this 2^d day of July, 2014, with:

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

Copy of the foregoing hand-delivered
this 2nd day of July, 2014, to:

Janice Alward, Esq., Chief Counsel
Legal Division
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, Arizona 85007

Steve Olea, Director
Utilities Division
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, Arizona 85007

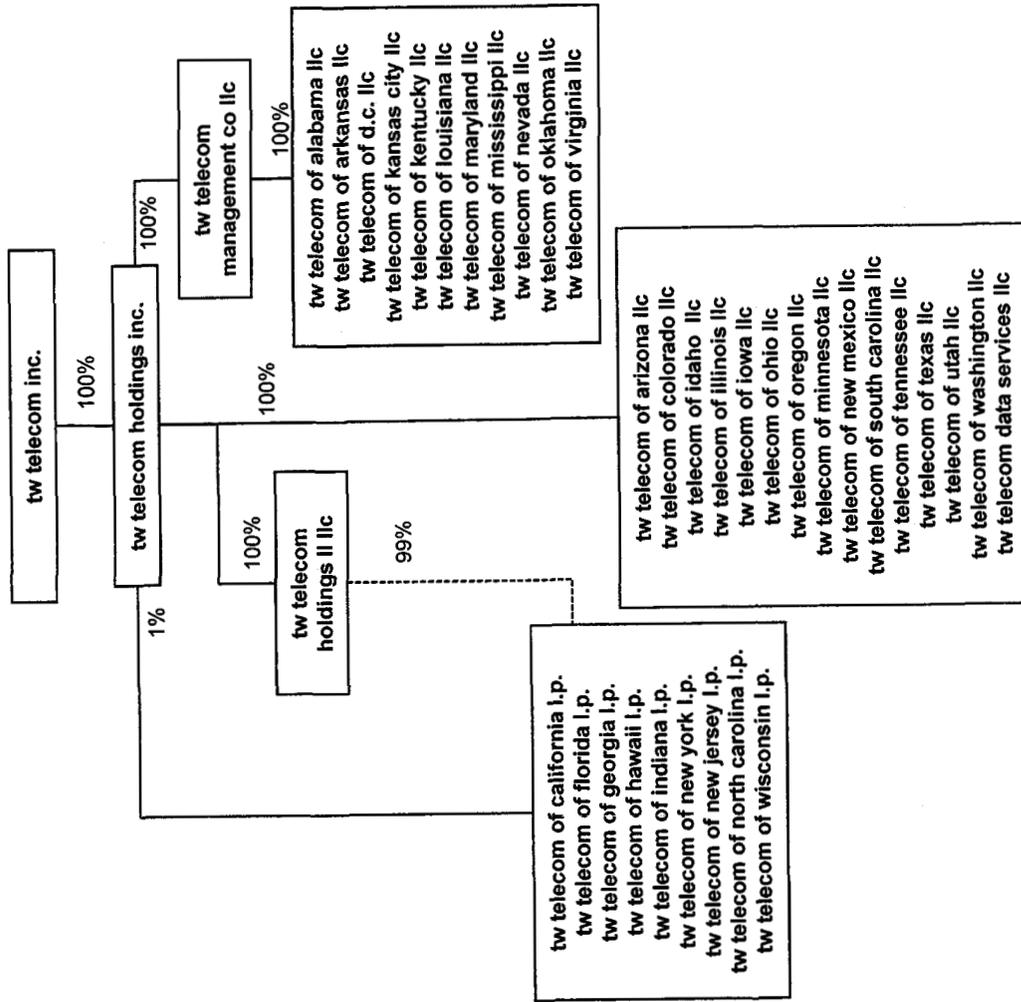
Lyn Farmer, Esq., Chief Administrative Law Judge
Hearing Division
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, Arizona 85007



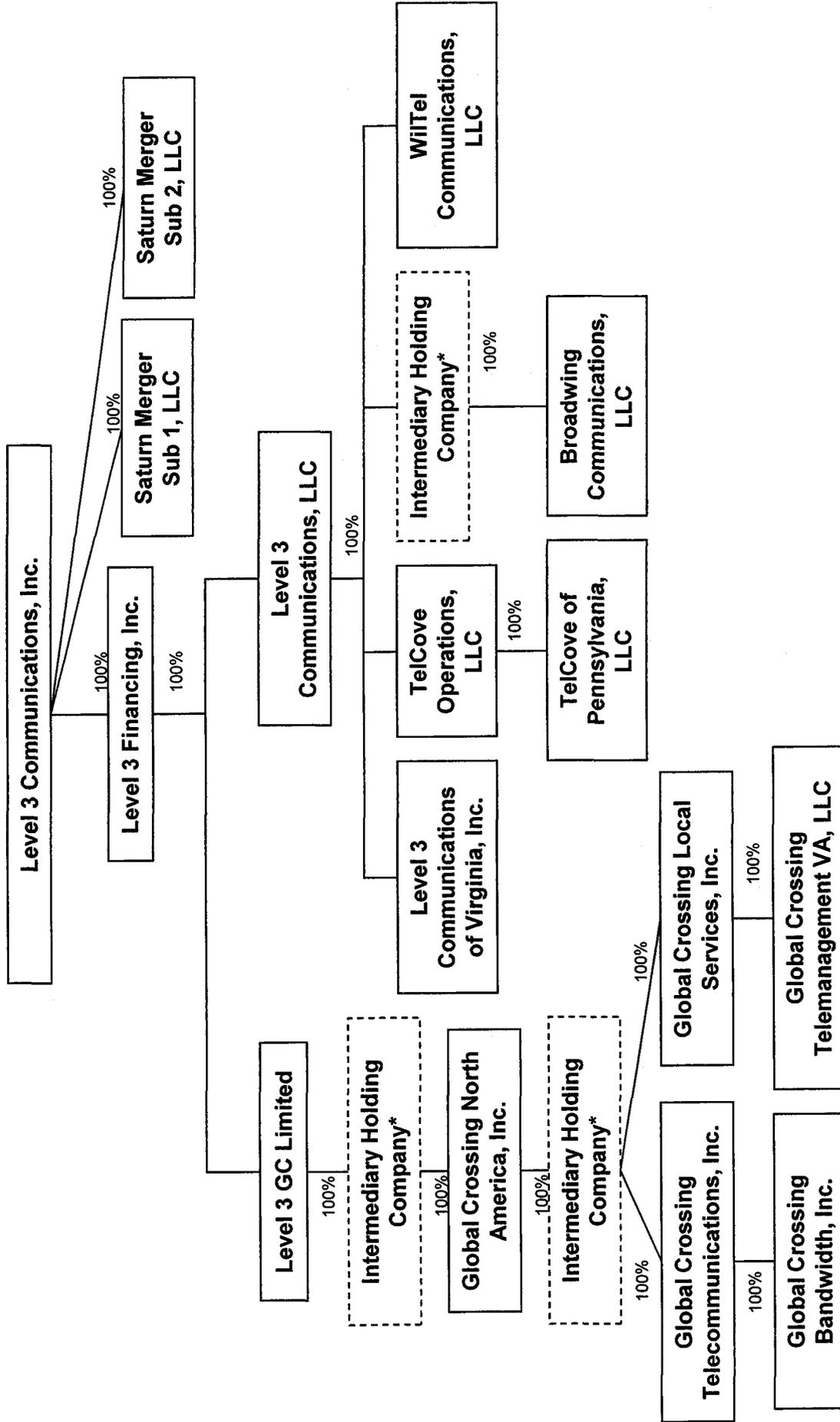
EXHIBIT A

Pre- and Post-Transaction Illustrative Charts

Pre-Transaction tw telecom Corporate Structure



Pre-Transaction 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

Verifications of Joint Application

VERIFICATION

STATE OF COLORADO

§

COUNTY OF BROOMFIELD

§

§

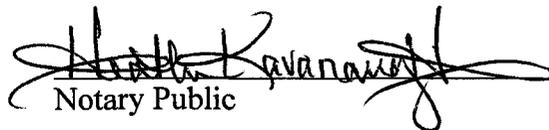
I, Richard E. Thayer, state that I am Senior Counsel for Level 3 Communications, LLC; that I am authorized to make this Verification on behalf of Level 3 Communications, Inc. and its subsidiaries ("Level 3"); that the foregoing filing was prepared under my direction and supervision; and that the statements with respect to Level 3 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 26th day of June, 2014.

HEATHER DIANE KAVANAUGH
NOTARY PUBLIC
STATE OF COLORADO
NOTARY ID 20124071845
MY COMMISSION EXPIRES 11/07/2016


Notary Public

My commission expires: _____

VERIFICATION

STATE OF COLORADO §
 §
COUNTY OF DOUGLAS §

I, Tina A. Davis, state that I am the Senior Vice President, General Counsel and Secretary for **tw telecom inc.**; that I am authorized to make this Verification on behalf of **tw telecom inc.** and its subsidiaries (“tw telecom”); that the foregoing filing was prepared under my direction and supervision; and that the statements with respect to tw telecom in the foregoing document are true and correct to the best of my knowledge, information, and belief.

Tina Davis
Name: Tina A. Davis
Title: Senior Vice President, General Counsel and Secretary
tw telecom inc.

SWORN TO AND SUBSCRIBED before me on the 27th day of June, 2014.

Cheryll B. Hart
Notary Public

My commission expires: *2/03/2017*

