

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

September 21, 2007

IN RE:

**PETITION OF LEVEL 3 COMMUNICATIONS, LLC,
BROADWING COMMUNICATIONS, LLC, TELCOVE
OPERATIONS, INC., TELCOVE OF NASHVILLE, L.P.
AND WITEL COMMUNICATIONS, LLC FOR
APPROVAL TO PARTICIPATE IN A FINANCING
ARRANGEMENT**

**DOCKET NO.
07-00051**

ORDER APPROVING FINANCING TRANSACTION

This matter came before Chairman Sara Kyle, Director Eddie Roberson and Director Pat Miller of the Tennessee Regulatory Authority (the "Authority" or "TRA"), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on April 16, 2007 for consideration of the *Petition* requesting approval to participate in a financing arrangement filed on February 17, 2007 by Level 3 Communications, LLC ("Level 3 LLC"), Broadwing Communications, LLC ("Broadwing"), TelCove Operations, Inc. ("TelCove"), TelCove of Nashville, L.P. ("TelCove Nashville") and WilTel Communications, LLC ("WilTel Comm") (collectively, "Petitioners").

Level 3 LLC is a Delaware limited liability company and a wholly-owned subsidiary of Level 3 Financing, Inc., which is in turn a wholly-owned subsidiary of Level 3 Communications, Inc. All three companies have principal offices in Broomfield, Colorado. Level 3 LLC provides voice and data services to carriers, Internet Service Providers ("ISPs"), and other business customers over its Internet Protocol ("IP") based network. Level 3 LLC is authorized to provide international and domestic interstate services as a non-dominant carrier by the Federal Communications Commission

("FCC"). In Tennessee, Level 3 LLC is authorized to provide facilities-based and resold local exchange and interexchange telecommunications services.¹

Three direct subsidiaries of Level 3 LLC are involved in the proposed transaction. Broadwing is authorized to provide telecommunications services in all fifty states and the District of Columbia and is authorized to provide interstate and international telecommunications services by the FCC. In Tennessee, Broadwing is authorized to provide intrastate interexchange telecommunications services.² TelCove is authorized to provide local exchange and interexchange telecommunications services in Tennessee, and TelCove Nashville is authorized to provide resold local exchange and interexchange telecommunications service in Tennessee.³

WilTel Comm is a subsidiary of WilTel Communications Group, LLC, which is a wholly-owned subsidiary of Level 3 LLC. WilTel Comm is a non-dominant carrier that holds authorization to provide interexchange telecommunications service in all fifty states. In Tennessee, WilTel Comm is authorized to provide resold and facilities-based local exchange, interexchange and exchange access, reseller and operator telecommunications services.⁴

¹ See Docket No. 98-00610, *Order Granting Certificate of Public Convenience and Necessity* (November 24, 1998) and Docket No. 02-00230, *Order Approving Application of Level 3 Communications, LLC to Amend Its Certificate of Public Necessity and Convenience* (June 28, 2002).

² The TRA originally granted authorization to provide telecommunications services in Tennessee to Broadwing Communications Services, Inc. in Docket No. 95-03221 (October 13, 1995). The TRA granted authorization to provide telecommunications services in Tennessee to Broadwing Telecommunications, Inc. in Docket No. 95-02659 (August 2, 1995). Both companies' certificates were transferred to C III Communications Operations, LLC in Docket No. 03-00240 (July 3, 2003). Subsequently, the TRA granted C III Communications Operations, LLC permission to change its name to Broadwing Communications, LLC in Docket No. 03-00559 (February 19, 2004).

³ The TRA originally granted authorization to provide telecommunication services in Tennessee to Adelphia Business Solutions of Nashville, L.P. in Docket No. 94-00661 (August 12, 1995) and to Hyperion Communications of Tennessee, L.P. ("Hyperion") in Docket No. 98-00732 (December 6, 1999). The TRA approved the transfer of Hyperion's certificate to Adelphia Business Solutions Operations, Inc. in Docket No. 00-00271 (June 29, 2000). The TRA subsequently approved the request of Adelphia Business Solutions of Nashville, L.P. to change its name to TelCove of Nashville, L.P. and the request of Adelphia Business Solutions Operations, Inc. to change its name to TelCove Operations, Inc. in Docket No. 03-00458 (March 9, 2005).

⁴ The TRA originally granted authorization to provide telecommunication services in Tennessee to Williams, Inc. d/b/a Vyxx, Inc. ("Williams") in Docket No. 99-00034 (April 6, 1999) and Docket No. 99-00398 (October 13, 1999). The TRA subsequently approved Williams' request to change its name to Wiltel Communications, LLC in Docket No. 04-00448 (July 28, 2005).

The Petition

The Petitioners request approval to participate in a financing arrangement whereby the Petitioners' parent company, Level 3 Financing, Inc., will enter into a Credit Agreement in the amount of \$1.4 billion which is scheduled to mature in 2014⁵ and pledge the assets of its Tennessee subsidiaries as security.

According to the *Petition*, a portion of the proceeds from the Credit Agreement will be advanced to the Petitioners for an inter-company demand note which will provide important financial benefits to the companies by improving and expanding the terms of credit under which they operate. In a Data Response received on March 9, 2007, the Petitioners stated that the proceeds from the Credit Agreement will also be used to refinance an existing term loan, finance all or part of the costs of construction, installation, acquisition, lease, development or improvement of the parent company, and pay fees and expenses related to the financing transaction.

The *Petition* states that the proposed financing will reduce interest expenses from existing indebtedness, enable Petitioners to borrow funds under favorable extended maturity terms and allow Petitioners greater access to capital which will enable them to bring services to new markets and improve their business operations and service capabilities for the benefit of their existing customers. The proposed transaction will not result in a transfer of control, change in Petitioners' management or day-to-day operations, and the rates, terms and conditions under which Petitioners provide service in Tennessee will remain unchanged.

Findings and Conclusions

The Petitioners' request for approval to participate in a financing transaction is governed by Tenn. Code Ann. § 65-4-109 (2004) which provides:

No public utility shall issue any stocks, stock certificates, bonds, debentures, or other evidences of indebtedness payable in more than one (1) year from the date thereof, until it shall have first obtained authority from the authority for such proposed issue.

⁵ Petitioners filed a supplement to the *Petition* on March 9, 2007 requesting to increase the proposed amount from one billion dollars to \$1.4 billion.


It shall be the duty of the authority after hearing to approve any such proposed issue maturing more than one (1) year from the date thereof upon being satisfied that the proposed issue, sale and delivery is to be made in accordance with law and the purpose of such be approved by the authority.

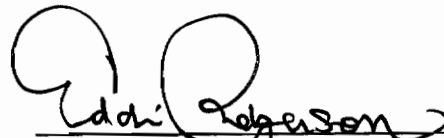
At a regularly scheduled Authority Conference held on April 16, 2007, the panel voted unanimously to approve the *Petition* based on the following findings:

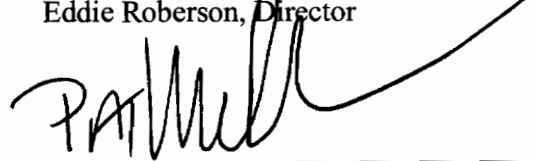
1. The proposed financing agreement is subject to Authority approval pursuant to Tenn. Code Ann. § 65-4-109 (2004).
2. The transaction is being made in accordance with laws enforceable by this agency.
3. The transaction is in the public interest because it will strengthen the Petitioners' financial position and promote competition by enabling the Petitioners to provide additional services.

IT IS THEREFORE ORDERED THAT:

1. Level 3 Communications, LLC, Broadwing Communications, LLC, TelCove Operations, Inc., TelCove of Nashville, L.P. and WiTel Communications, LLC are authorized to consummate the financing transaction as described in the *Petition* and discussed herein.
2. The authorization and approval given shall not be used for the purpose of inferring an analysis or assessment of the risks involved. This decision is not intended to create any liability on the part of the Tennessee Regulatory Authority, the State of Tennessee or any political subdivision thereof.


Sara Kyle, Chairman


Eddie Roberson, Director


Pat Miller, Director