



STATE OF DELAWARE

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February 2, 2015

MEMORANDUM

TO: The Chair and Members of the Commission

FROM: Kevin Neilson, Regulatory Policy Administrator *KSN*

SUBJECT: IN THE MATTER OF THE APPLICATION OF ZAYO GROUP, LLC
FOR APPROVAL TO PARTICIPATE IN CERTAIN FINANCING
ARRANGEMENTS
(FILED FEBRUARY 2, 2015) - PSC DOCKET NO. 15-0670

Application

Zayo Group, LLC ("Zayo" or the "Applicant") has filed an application seeking Commission approval to expand its existing authority for financing arrangements by \$700 Million to an aggregate amount of \$4.52 Billion.

Applicant

Zayo Group, LLC

Zayo is a Delaware limited liability company with principal offices located at 1805 29th Street, Boulder, Colorado 80301. Zayo is a wholly-owned subsidiary of Zayo Group Holdings, Inc., a publicly traded Delaware corporation. Zayo is a provider of bandwidth infrastructure and network-neutral colocation and interconnection services over regional and metropolitan fiber networks. These services enable its customers to manage, operate, and scale their telecommunications and data networks. Zayo's customers consist primarily of wireless service providers, national and regional telecommunications carriers and other communications service providers, media and content companies, schools, hospitals, governments, banks and other enterprises requiring substantial bandwidth. Zayo is authorized to provide local and intrastate telecommunications services in Delaware pursuant to Commission Order No. 7956 in PSC Docket No. 11-55 granted on May 10, 2011.

Transaction

Zayo seeks Commission approval to expand its existing authority for financing arrangements by an additional \$700 Million. The Commission has previously allowed Zayo to enter into, and expand its, financing arrangements to an aggregate amount of \$3.82 Billion. In PSC Docket No. 12-164, Zayo sought authorization to borrow and pledge its assets as security for up to \$3 Billion in financing arrangements, and for certain of its subsidiaries to guarantee the arrangements and pledge certain assets to secure the guarantee. The Commission allowed the application to become effective by statutory approval without Commission action. In PSC Docket No. 12-351, Zayo sought Commission approval to increase its financing by \$120 Million to an aggregate amount of \$3.12 Billion. The Commission took no action on the application and the application was deemed approved. On December 9, 2013, in PSC Docket No. 13-485, the Applicant filed an application requesting approval to expand its authority for financing arrangements by \$150 Million to an aggregate amount of \$3.27 Billion and the Commission took no action, thus allowing the application to become effective by statutory approval. In PSC Docket No. 14-166 the Commission, by taking no action on the docket, allowed Zayo to expand its financing arrangements by \$550 Million to an aggregate amount of \$3.82 Billion with flexibility within that aggregate amount to negotiate particular market-based terms. By not acting on the application, the Commission allowed the request to become effective by statutory approval.

Zayo is now seeking Commission approval to expand its authority for financing arrangements by an additional \$700 Million to the aggregate amount of \$4.52 Billion in the form of notes or debentures; conventional credit facilities, such as revolving credit facilities and term loans; letters of credit; and bridge loans; or a combination thereof. The financing will mature up to eight years after issuance or amendment, depending on the type of facility. The interest rates will be determined when the financing arrangements are finalized and Zayo is seeking authorization for financing arrangements at interest rate(s) that may be fixed or floating, or a combination of fixed rates and floating rates. Some or all of the financing arrangements will be secured facilities, which will include a grant of a security interest in the assets of Zayo and its current and future subsidiaries. According to the filing, the financing arrangements may be used for acquisitions, refinancing existing debt, working capital requirements and general corporate purposes of the company. The Applicant asserts that the financing arrangements will help Zayo to maintain adequate flexibility to respond to market conditions and requirements, and to respond to new acquisition and other business opportunities.

Public Interest

The Applicant asserts that the public interest will be served. The financing arrangements will promote competition among telecommunications carriers by providing Applicant and its subsidiaries with access to greater financial resources that will allow it to compete more effectively with larger incumbent telecommunications providers. Zayo states that, among other things, the increased financing arrangements may be used to fund future acquisitions, to support strategic growth initiatives, to provide for ongoing working capital, and for other corporate purposes. The Applicant asserts that the financing arrangements are necessary and appropriate, are consistent with Zayo's performance of its services to the public, will not impair its ability to perform such services, and will promote its proper corporate purposes. In addition, the Applicant states that the financings will be transparent to Zayo's customers and will not disrupt service or cause customer confusion or inconvenience.

Staff Recommendation

Applications seeking financing approval by large multi-state resellers of competitive intrastate telecommunications services technically come under the provisions of 26 Del. C. §215 because the companies are deemed to be public utilities. The Applicant has represented that the financing proposal is in accordance with law, for a proper purpose, and consistent with the public interest. The Commission has previously allowed such applications to become effective by statutory approval without Commission action. The result seems appropriate under the circumstances. Staff, therefore, recommends that the Commission not act on this application. Under 26 Del. C. §215(d), the effect will be that the application is deemed to be approved by the Commission. Staff will also acquire verification from the Applicant that the proposed financing arrangements have been completed.