



STATE OF DELAWARE

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MEMORANDUM

TO: The Chairman and Members of the Commission

FROM: Lisa B. Driggins, Public Utilities Analyst 

DATE: March 24, 2015

SUBJECT: IN THE MATTER OF THE APPLICATION OF ACN COMMUNICATION SERVICES, INC. FOR APPROVAL TO PARTICIPATE IN A FINANCING ARRANGEMENT (FILED MARCH 13, 2015) - DOCKET- NO. 15-0759

Application

ACN Communication Services, Inc. ("ACN" or the "Applicant") has filed an application seeking Commission approval to participate in a financing arrangement with its parent, LKN Communications, Inc. ("LKN").

Applicant

ACN Communication Services, Inc.

ACN is a corporation incorporated under the laws of the State of Michigan on April 30, 1999, and headquartered at 1000 Progress Place, Concord, NC 28025. ACN is a wholly-owned subsidiary of LKN. ACN was granted a Certificate of Public Convenience and Necessity to provide local exchange and competitive intrastate telecommunications services in Delaware on March 28, 2000 in PSC Docket No. 00-81 (order 5388) and on February 10, 2004 Docket No. 03-444 (order no. 6356).

Transaction

The Applicant requests Commission approval to participate in a financing arrangement with its parent company, LKN. LKN intends to enter into a senior secured credit facility in a maximum principal amount of up to \$135 million (“Credit Facility” or “Financing”). Loans under the Credit Facility will be provided by a syndicate of financial institution (the “Lenders”). Proceeds from the Financing will be used, among other things, to support strategic growth and for ongoing working capital.

The subsidiaries (including the Applicant) will provide guaranty and pledge assets under the Credit Facility and grant a security interest to the Lenders for LKN. The Applicant’s regulated service assets are a small fraction of the total assets supporting the Credit Facility.

Public Interest

The Applicant asserts that the public interest will be served and that the transaction is in accordance with the law and is for a proper purpose. According to the Applicant, the proposed Financing arrangement will serve the public interest by providing the ACN companies with greater financial resources which will promote competition among telecommunications carriers. Secondly, the Financing will be conducted in Delaware in a manner that will be transparent to customers, and will not result in any negative changes to ACN services by customers.

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.