

September 23, 2014

MEMORANDUM

TO: The Chair and Members of the Commission

FROM: Kevin Neilson, Regulatory Policy Administrator

SUBJECT: IN THE MATTER OF THE JOINT APPLICATION OF CROWN CASTLE NG ATLANTIC LLC, CHESAPEAKE FIBER, LLC, 24/7 CHESAPEAKE HOLDINGS, LLC, AND GRI FUND #2, L.P. FOR THE APPROVAL OF THE TRANSFER OF CONTROL OF CHESAPEAKE FIBER, LLC (FILED SEPTEMBER 3, 2014)
- PSC DOCKET NO. 14-0300

Application

Crown Castle NG Atlantic LLC (“CCNG-Atlantic”), Chesapeake Fiber, LLC (“Chesapeake”), 24/7 Chesapeake Holdings, LLC (“Holdings”), and GRI Fund #2, L.P. (“GRI Fund”) (collectively, the “Applicants”), have filed an application seeking Commission approval to transfer control of Chesapeake to CCNG-Atlantic and ultimately to Crown Castle International Corp. (“CCI”), the ultimate parent of CCNG-Atlantic.

Applicants

Chesapeake Fiber, LLC, 24/7 Chesapeake Holdings, LLC and GRI Fund #2 L.P.

Chesapeake is a Delaware limited liability company. Holdings, a Delaware limited liability company, is the sole member of Chesapeake. Chesapeake and Holdings have a principal office at 111 Market Place, Suite 123. Baltimore, Maryland 21202. Chesapeake does not currently provide telecommunications service but rather sells dark fiber to government, education, financial, healthcare, commercial, and carrier customers. In Delaware, Chesapeake is authorized to provide non-switched competitive local exchange telecommunications services pursuant to Order Nos. 8190 and 8312 issued in PSC Docket Nos. 12-178 and 13-86.

GRI Fund is a Delaware limited partnership and a privately held investment fund. GRI Fund is located at 904 South Broadway, Baltimore, Maryland 21231.

Crown Castle NG Atlantic LLC

CCNG-Atlantic is a Virginia limited liability company and wholly owned subsidiary of Crown Castle Solutions Corp. (“Solutions”), a Delaware corporation. Solutions is a wholly-owned indirect subsidiary of CCI, a publicly traded Delaware corporation. CCNG-Atlantic, Solutions, and CCI have principal offices at 1220 Augusta Drive, Suite 600, Houston, Texas 77057-2261. In Delaware, Solutions has one subsidiary authorized to provide intrastate telecommunications service: Crown Castle NG East LLC (“CCNG-East”) is authorized to operate as a public utility and provide local exchange and competitive intrastate telecommunications services pursuant to Order No. 7187 issued in PSC Docket No. 07-42.¹

Transaction

Under the transaction, CCNG-Atlantic will acquire all of the issued and outstanding membership units of Holdings and Holdings will become a direct, wholly-owned subsidiary of CCNG-Atlantic. Since Chesapeake will remain a direct, wholly-owned subsidiary of Holdings, Chesapeake will become a wholly-owned indirect subsidiary of CCNG-Atlantic and, ultimately, of CCI.

Public Interest

The Applicants assert that the public interest will be served. The financial, technical, and managerial resources that CCNG-Atlantic and CCI will bring to Chesapeake are expected to further enhance the ability of Chesapeake to compete in the telecommunications marketplace. Further the Applicants assert that the existing network of Chesapeake will enhance the ability of CCNG-East to serve its customers.

According to the Applicants, the proposed transaction will have no adverse impact on the customers of Chesapeake. Immediately following the transaction, Chesapeake will continue to provide its existing dark fiber facilities at the same rates, terms and conditions. The transaction will be transparent to consumers since the only change immediately following the closing of the transaction from a consumer’s perspective is that CCNG-Atlantic, and ultimately CCI, will be the new owners of Chesapeake.

Staff Recommendation

Applications seeking approval of a change in control by large multi-state resellers of competitive intrastate telecommunications services technically come under the provisions of 26

¹ The Certificate was granted to NextG Networks East, Inc., which subsequently changed its name to Crown Castle NG East Inc. and converted to a limited liability company using the name Crown Castle NG East LLC.

Del. C. §215 because the companies are deemed to be public utilities. The Applicants have represented that the financing proposal is in accordance with law, for a proper purpose, and consistent with the public interest. In addition, the Applicants have represented that CCNG-Atlantic and CCI have the managerial, technical, and financial experience to acquire control of Chesapeake. The Commission has previously allowed such applications for approval of changes in control 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.