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3-22-17
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**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

In the Matter of the Joint Application of) Application No. _____
)
Broadwing Communications, LLC (U-5525-C);) A1703016
Global Crossing Local Services, Inc. (U-5685-)
C); Global Crossing Telecommunications, Inc.)
(U-5005-C); IP Networks, Inc. (U-6362-C);)
Level 3 Communications, LLC (U-5941-C);)
Level 3 Telecom of California, LP (U-5358-C);)
WilTel Communications, LLC (U-6146-C);)
)
and)
)
Level 3 Communications, Inc., a Delaware)
Corporation;)
)
and)
)
CenturyLink, Inc., a Louisiana Corporation,)
)

For Approval of Transfer of Control of the)
Level 3 Operating Entities Pursuant to)
California Public Utilities Code Section 854(a))
_____)

**JOINT APPLICATION FOR APPROVAL OF TRANSFER OF CONTROL OF LEVEL 3
OPERATING ENTITIES PURSUANT TO PUBLIC UTILITIES CODE SECTION 854(a)**

[PUBLIC VERSION]

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*On Behalf of Level 3 Communications, Inc. and
the Level 3 Operating Entities*

Dated: March 22, 2017

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*On behalf of CenturyLink, Inc. and the
CenturyLink Operating Entities*

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I. INTRODUCTION

Pursuant to Section 854(a) of the California Public Utilities Code and Article 2 and Rule 3.6 of the California Public Utilities Commission’s (“Commission”) Rules of Practice and Procedure (“Rules”), the following certificated and non-certificated entities submit this joint application for approval of transfer of control: Broadwing Communications, LLC (U-5525-C), Global Crossing Local Services, Inc. (U-5685-C), Global Crossing Telecommunications, Inc. (U-5005-C), IP Networks, Inc. (U-6362-C), Level 3 Communications, LLC (U-5941-C), Level 3 Telecom of California, LP (U-5358-C), and WilTel Communications, LLC (U-6146-C)

(collectively the “Level 3 Operating Entities”); CenturyLink, Inc. (“CenturyLink”);¹ and Level 3 Communications, Inc. (“Level 3”), the ultimate parent of the Level 3 Operating Entities (all applicants collectively referred to as the “Joint Applicants”).

In particular, the Joint Applicants respectfully request Commission approval to transfer control of the Level 3 Operating Entities, each of which is a non-dominant, California certificated competitive local exchange and/or non-dominant interexchange carrier providing services *exclusively to enterprise and carrier customers*, from Level 3 to CenturyLink. The transfer will be made pursuant to the Agreement and Plan of Merger between CenturyLink and Level 3 dated October 31, 2016 (the “Merger Agreement”) by which all of Level 3’s subsidiaries – including the Level 3 Operating Entities - will become wholly-owned subsidiaries of CenturyLink (the “Transaction”).

The requested transfer of control is entirely consistent with Section 854(a) and the public interest and the mandate of this Commission in promoting a healthy, vibrant and competitive telecommunications market. As will be described in more detail below, the merger is a parent-level transaction that will enable CenturyLink and Level 3 to combine their complementary fiber networks and capabilities to offer enterprise customers a broader range of services and solutions than they currently provide individually, reduce dependence on competitors’ fiber facilities, ensure continued capital expenditures in the state, and enhance the combined company’s financial profile. The proposed Transaction thus will allow the combined company not only to

¹ CenturyLink has three wholly-owned operating subsidiaries in California: CenturyLink Communications, LLC (U-5335-C); CenturyLink Public Communications, Inc. (U-6018-C); and CenturyTel of Eastern Oregon, Inc. (U-1022-C) (collectively the “CenturyLink Operating Entities”). Although none of these operating entities is a joint applicant, they are each described in more detail below. See Section II.A., *infra*.

provide a fuller suite of services to its base of enterprise customers but also to serve as a stronger and more robust competitor to the larger carriers in the marketplace.

Because this is a parent-level-only transaction, with no change in day-to-day operations of the regulated entities that operate in California, the Commission retains exactly the same regulatory authority over the Level 3 (and CenturyLink) Operating Entities that the Commission possessed immediately prior to the Transaction. In addition, the Transaction is transparent to Level 3's (enterprise and carrier) customers as the Level 3 Operating Entities will continue to honor their existing contractual and tariff obligations. Since no customer transfers will occur, no customer notice is required. Finally, because the Level 3 and the CenturyLink Operating Entities are already certificated providers, and no new providers are being created in California, the Transaction is not undertaken for the purpose of "market entry."

Given the conventional nature of the underlying Transaction, the limited California revenues and lack of market power associated with the parties, the discussion of the potential benefits of the Transaction on California, and the transparency of the indirect transfer of the Level 3 Operating Entities to its customer base, the Joint Applicants anticipate that this will be a non-controversial Application and respectfully submit that this matter will be appropriate for expedited approval.² The Commission has consistently approved transfers of control under

² The Joint Applicants note that on January 17, 2017, each of the Level 3 Operating Entities filed an advice letter to obtain the requisite 854(a) approval per the process established by the Commission in D.04-10-038 and utilized since by other carriers in the contexts of similar requests for approval of transfers of control. See e.g., D.04-10-038; see also Qwest AL 172 (re transfer of control of Qwest to CenturyLink – May 14, 2010), tw telecom california AL 577 (re transfer of control of tw telecom to Level 3 – July 3, 2014) and XO AL 1281 (re transfer of XO to Verizon – March 18, 2016). The advice letters were protested jointly by ORA, TURN and Greenlining and, before any response to the protest could be filed, the advice letters were rejected by the Communications Division. The Joint Applicants have since had communications with each of these groups in an effort to better understand their concerns and further explain the Transaction. Although the Applicants continue to believe that the advice letter process is appropriate in these circumstances, they are submitting this Application in an effort to facilitate the timely approval of the requested transfers of control.

Section 854(a) in similar instances in which the proposed transfer involves a change of control of a competitive carrier through the transfer of equity interests in the ultimate corporate parent of that carrier. This is especially the case where the proposed transfer is seamless to customers and does not implicate any changes in day-to-day operations, rates, terms, or conditions of service.³ The fact that the Level 3 Operating Entities serve only a limited number of enterprise and carrier customers in the state further supports a finding that a transfer of control is appropriate in this circumstance.

Thus, the Joint Applicants respectfully request that the Commission approve this Joint Application expeditiously.

II. DESCRIPTION OF THE APPLICANT ENTITIES AND CHARACTER OF BUSINESSES

A. CenturyLink, Inc.

CenturyLink is a publicly traded (NYSE: CTL) Louisiana corporation with headquarters at 100 CenturyLink Drive, Monroe, Louisiana. CenturyLink's operating subsidiaries offer communications services, including local and long-distance voice, local network access, high-speed internet, and information, entertainment, and fiber transport services through copper and fiber networks, to consumers and businesses in 50 states. CenturyLink's operating entities also provide high-speed internet access services and data transmission services. Although CenturyLink is recognized as an incumbent local exchange carrier in many parts of the country, in certain local and regional markets, CenturyLink's operating subsidiaries provide

³ See, e.g., *Joint Application of G3 Telecom USA Inc. (U7237C and U1165C) and Telehop Communications, Inc. for Approval of a Transfer of Control of G3 Telecom USA Inc. pursuant to California Public Utilities Code Section 854(a)*, D.14-08-016, at p. 6 ; *Joint Application of Primus Telecommunications, Inc. (U-5513-C) and PTUS, Inc. for Approval of a Transfer of Control*, D.13-09-017, at p. 5 ; *Joint Application of Securus Technologies, Inc. (U6888C), T-NETIX Telecommunications Services, Inc. (U5324C), and Securus Investment Holdings, LLC for Approval of Acquisition by Securus Investment Holdings, LLC of Indirect Control over Securus Technologies, Inc. and T-NETIX Telecommunications Services, Inc.*, D.13-10-004, at p. 6.

telecommunications services as a competitive local exchange carrier (“CLEC”), offer security monitoring, and provide other communications, professional, business, and information services.

While CenturyLink operating subsidiaries have limited operations in California, as of December 31, 2016, CenturyLink operating subsidiaries overall provided high-speed internet access services to nearly six million customers nationwide, had approximately 11.1 million access lines and operated a state-of-the-art fiber transport system, which provides fiber-based transport services to its customers.⁴

CenturyLink itself does not directly offer services in California and is not certificated by this Commission. CenturyLink, however, is the ultimate parent of the following three entities which are certificated as telecommunications carriers by the Commission:

- **CenturyLink Communications, LLC** (U-5335-C) is a direct wholly-owned subsidiary of CenturyLink that operates as an IXC and a CLEC, with certificates of public convenience previously granted by the Commission in Decision No. 96-02-072 (CLEC authority) and Decision No. 93-10-018 (IXC authority). CenturyLink Communications was formed as a result of the consolidation of former certificated entities Qwest Communications Company, LLC; CenturyTel Long Distance, LLC and Embarq Communications in January 22, 2014.⁵
- **CenturyLink Public Communications, Inc.** (fka Embarq Payphone Services⁶) (U-6018-C) is an indirect wholly-owned subsidiary of CenturyLink operating as a non-facilities based reseller of payphone services in California pursuant to the authority granted to operate as a non-dominant interexchange carrier (“NDIEC”) in Decision No. 98-078-003.

⁴ For more information on CenturyLink, see: <http://www.centurylink.com/aboutus/>.

⁵ See Qwest Advice Letter 176 (January 22, 2014); CenturyTel LD Advice Letter 78 (January 22, 2014) and Embarq Communications Advice Letter 37 (January 22, 2014). See also Qwest Advice Letter 172 (May 14, 2010) (indirect transfer of control of Qwest to CenturyLink).

⁶ Embarq Payphone submitted Advice Letter No. 33 on January 16, 2014 notifying the Commission of the name change to CenturyLink Public Communications, Inc. CenturyLink Public Communications currently has no active payphones in California.

- **CenturyTel of Eastern Oregon, Inc. (U-1022-C)** is an indirect wholly-owned subsidiary of CenturyLink operating primarily as a local exchange carrier in the State of Oregon. CenturyTel of Eastern Oregon also operates, on a limited basis (i.e., less than 100 access lines), in New Pine Creek, Modoc County pursuant to the authority granted by this Commission.

The Transaction does not directly affect or otherwise impact the operations, services or rates of any of these entities who, both individually and collectively, have limited operations in California.⁷

B. Level 3 Communications, Inc.

Level 3 is a publicly traded (NYSE: LVT) Delaware corporation with headquarters located at 1025 Eldorado Boulevard, Broomfield, Colorado. Level 3 is a global telecommunications and information services company which, through its operating subsidiaries, offers a wide range of communications services over its broadband fiber-optic network in North and South America, Europe, and Asia, including IP-based services, broadband transport, collocation services, and patented Softswitch-based voice services. The Level 3 operating subsidiaries are non-dominant carriers that are authorized to provide resold and facilities-based telecommunications services pursuant to certification, registration, or tariff requirements, or on a deregulated basis in the various states.⁸

C. Level 3 Operating Entities

Level 3 has seven (7) certificated operating entities in California. These entities provide services to a limited number of enterprise and carrier customers but *do not provide service to*

⁷ A summary of the revenue and customer accounts associated with the CenturyLink Operating Entities is attached hereto as Confidential Exhibit A. Apart from the few residential customers of the very small ILEC operation in New Pine Creek, Modoc County, the CenturyLink Operating Entities do not offer local exchange services or internet access services to residential consumers in California.

⁸ For more information on Level 3, see: <http://www.level3.com/en/about-us/>.

*residential end-user consumers.*⁹ None of these entities are owned or affiliated with a California incumbent local exchange carrier. The seven certificated Level 3 operating entities in California are as follows:

- Broadwing Communications, LLC (U-5525-C) - is an indirect wholly-owned subsidiary of Level 3 that is authorized to provide local and interexchange telecommunications services pursuant to authority granted by the Commission in D. 04-04-063 and D. 03-08-020, as corrected by D. 03-09-47.
- Global Crossing Local Services, Inc. (U-5685-C) – is an indirect wholly-owned subsidiary of Level 3 that is authorized to provide local exchange telecommunications services pursuant to authority granted by the Commission in D. 96-09-072.
- Global Crossing Telecommunications, Inc. (U-5005-C) – is an indirect wholly-owned subsidiary of Level 3 that is authorized to provide interexchange telecommunications services pursuant to authority granted by the Commission in D. 84-06-113, as expanded in D. 93-04-063.
- IP Networks, Inc. (U-6362-C) – is an indirect wholly-owned subsidiary of Level 3 that is authorized to provide facilities-based local exchange and resold local and interexchange services pursuant to authority granted by the Commission in D. 00-07-009 as modified in D. 03-01-069.
- Level 3 Communications, LLC (U-5941-C) - is authorized to provide facilities based and resold local exchange and facilities based interLATA and intraLATA telecommunications service pursuant to authority granted by the Commission in D. 98-02-119, and D. 98-03-066 (as amended by D. 00-08-016).
- Level 3 Telecom of California, LP (U-5358-C) – is an indirect wholly-owned subsidiary of Level 3 that is authorized to provide facilities-based local exchange, interexchange and competitive access services pursuant to its certificates of public convenience and necessity (“CPCN”) granted in D. 99-03-050 (CLEC authority) and D. 96-11-007 (NDIEC authority).
- WilTel Communications, LLC (U-6146-C) - is an indirect wholly-owned subsidiary of Level 3 that is authorized to provide facilities-based and resold interexchange services pursuant to authority granted by the Commission in D. 99-05-022, D. 99-10-062, D. 00-08-017 and D. 05-07-042.

⁹ A summary of the revenue, customer accounts (including a breakdown of enterprise v. carrier customers) and number of employees associated with the Level 3 Operating Entities is attached hereto as Confidential Exhibit B.

D. Correspondence

All correspondence and communications with respect to this Joint Application should be addressed or directed as follows:

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E. Certificates of Formation, Financial Statements and Management Team

Pursuant to Rule 2.2 of the Commission's Rules, Certificates of Formation for the Level 3 Operating Entities were provided in their respective applications/registrations for CPCNs and/or registration noted above.¹⁰ Certificates of Good Standing for the Level 3 Operating Entities issued by the California Secretary of State are attached hereto as Exhibit C.¹¹ Level 3 does not prepare reports and financial statements at the individual entity level. All operations of the Level 3 Operating Entities are presented in the consolidated financial statements of Level 3 which, pre-Transaction, wholly owns each of the Level 3 Operating

¹⁰ See A. 00-11-026 (Application of Broadwing Communications, LLC for CPCN, Nov. 13, 2000); (U-5525-C); A.95-12-050 (Application of Global Crossing Local Services, Inc. for CPCN, Dec. 19, 1995); I.83-06-01(Application of Global Crossing Telecom, Inc.,); A.00-03-030 (Application of IP Networks, Inc. for CPCN, Mar. 17, 2000); Level 3 Communications, LLC (A.98-01-006, Jan. 2, 1998); R.95-04-043 and A.96-06-025 (Application of Level 3 Telecom of California, LP (f/k/a tw telecom of california, lp) for CLEC CPCN, Apr. 26, 1995 and NDIEC, June 18, 1996; A.98-12-037 (Application of WilTel Communications, LLC for CPCN, Dec. 31, 1998).

¹¹ As noted above, Level 3 Communications, Inc. does not transact business in California and thus no Certificate of Good Standing is available or required.

Entities. These financial statements are prepared in the ordinary course of business in accordance with generally accepted accounting principles. A link to the most recent Level 3 10-K Report is provided below.¹² Information about the management team for the Level 3 Operating Entities (and for Level 3) is provided in Exhibit D.

Copies of CenturyLink's formation documents are attached hereto as Exhibit E.

CenturyLink transacts no business in California, and thus a Certificate of Good Standing from the California Secretary of State is not required or available.¹³ Evidence of CenturyLink's financial qualifications, which have most recently been submitted to the Commission in the context of the 2014 advice letters referenced above, is provided in the form of its most recent 10K Report.¹⁴ Information about the management team for CenturyLink is provided in Exhibit G.

¹² Level 3's most recent 10K (for FY 2016) can be found at:
<http://d18rn0p25nwr6d.cloudfront.net/CIK-0000794323/dd68eb6f-9116-44c1-b7fa-6f7095ccd1f2.pdf>

The Joint Applicants are providing links to Level 3's 10-K as well as other publicly available information for ease of reference and to reduce the amount of paper required to attach such documents to the Application. To the extent the Commission prefers hard copy of any of these linked documents, the Joint Applicants will provide them upon request.

¹³ Although not required, the Joint Applicants attach Certificates of Good Standing for each of the CenturyLink Operating Entities as Exhibit F.

¹⁴ CenturyLink's most recent 10K (for FY 2016) can be found at:
<https://www.sec.gov/Archives/edgar/data/18926/000001892617000013/ctl2016123110k.htm>

CenturyLink does not prepare reports and financial statements at the individual entity level. All operations of the CenturyLink Operating Entities are presented in the consolidated financial statements of CenturyLink.

III. DESCRIPTION OF THE TRANSACTION

On October 31, 2016, CenturyLink entered into the “Merger Agreement”) with Level 3, Wildcat Holdco LLC, a Delaware limited liability company (“Holdco”), an indirect wholly owned subsidiary of CenturyLink, and two direct subsidiaries of Holdco, Wildcat Merger Sub 1, LLC, a Delaware limited liability company, and WWG Merger Sub LLC, a Delaware limited liability company (“Merger Sub 2”).¹⁵

In connection with entering into the Merger Agreement, CenturyLink created Holdco, which in turn created two direct subsidiaries of its own, Merger Sub 1 and Merger Sub 2. The Merger Agreement provides, among other things, that subject to the satisfaction or waiver of the conditions set forth therein (i) Merger Sub 1 will merge with and into Level 3, with Level 3 surviving (the “Initial Merger”), and (ii) immediately thereafter, Level 3 will merge with and into Merger Sub 2, with Merger Sub 2 surviving (the “Subsequent Merger” and, together with the Initial Merger, the “Combination”). Following the Combination, Merger Sub 2 (the successor to Level 3) will be a direct wholly-owned subsidiary of Holdco, and Holdco will be a wholly-owned direct subsidiary of CenturyLink, Inc. Merger Sub 2 will survive the Subsequent Merger as an indirect wholly-owned subsidiary of CenturyLink. As a result of the Combination, the Level 3 Operating Entities will be indirect, wholly-owned subsidiaries of CenturyLink.

The Transaction is a relatively straightforward stock for cash and stock business deal. Under the Merger Agreement, at the effective time of the Initial Merger, each outstanding share

¹⁵ A copy of the Merger Agreement is available at <https://www.sec.gov/Archives/edgar/data/18926/000119312516758974/0001193125-16-758974-index.htm>.

A combined pro forma balance sheet can be found at p. 153 of the recently filed S-4 which is available at: <https://www.sec.gov/Archives/edgar/data/18926/000119312517040464/d282157d424b31.pdf>

of Level 3 common stock, par value \$0.01 per share (the “Level 3 Common Stock”), other than shares held by holders who properly exercise appraisal rights, will be converted into the right to receive \$26.50 in cash, without interest, and 1.4286 shares of CenturyLink common stock, par value \$1.00 per share (the “CenturyLink Common Stock”).¹⁶ Upon the closing of the Transaction, CenturyLink shareholders will own approximately 51 percent and Level 3 shareholders will own approximately 49 percent of the combined company. The Combination is subject to (i) the approval and adoption of the Merger Agreement by the stockholders of Level 3 and (ii) the approval by the shareholders of CenturyLink of the issuance of the CenturyLink Common Stock in the Initial Merger.¹⁷ The Combination also is subject to other customary closing conditions, including federal and state commission approvals as may be required.¹⁸

CenturyLink and STT Crossing Ltd. (“STT Crossing”), which will own approximately 8.6% of the CenturyLink Common Stock after the completion of the Combination, also have entered into a Shareholder Rights Agreement, dated October 31, 2016 (the “Shareholder Rights Agreement”), pursuant to which CenturyLink has agreed to nominate one STT Crossing designee to its board for the first three annual meetings of CenturyLink following the completion of the Combination, unless STT Crossing does not beneficially own at least 85% of the CenturyLink Common Stock that it receives at the completion of the Combination.

¹⁶ No fractional shares of CenturyLink will be issued in the Initial Merger, and Level 3 stockholders who would otherwise have been entitled to receive a fraction of a share (after taking into account all Level 3 shares exchanged by such holder) will receive cash in lieu of any fractional shares.

¹⁷ On March 16, 2017, both shareholders of CenturyLink and of Level 3 overwhelming approved the Transaction. See link at: <https://www.sec.gov/Archives/edgar/data/18926/000119312517085552/d346877d8k.htm>

¹⁸ As of the filing of this Joint Application, the parties have received regulatory approvals and/or clearances in Ohio, Utah, Nevada, Delaware, Georgia, West Virginia, Connecticut, Indiana, Louisiana and Hawaii.

The combined company's senior leadership team will consist of proven leaders with extensive experience in the telecommunications industry and a successful track record of integration. Glen F. Post, III, the current CEO and President of CenturyLink, will continue to be the CEO and President of the post-transaction CenturyLink. Upon completion of the Combination, R. Stewart Ewing, Jr., CenturyLink's current Executive Vice President, Chief Financial Officer and Assistant Secretary, plans to retire. Following Mr. Ewing's retirement, Mr. Sunit Patel, Executive Vice President and Chief Financial Officer of Level 3, will serve as Chief Financial Officer of the combined company. The executive officers of CenturyLink, other than Mr. Ewing, are currently expected to continue to be executive officers of the combined company.¹⁹ These executives among them have almost 300 years of experience in the telecommunications industry and many years of leadership at their respective companies.

Pursuant to the Merger Agreement, CenturyLink has agreed to appoint 4 members of Level 3's board of directors to CenturyLink's board of directors, with one of the directors being designated by Level 3's principal stockholder, STT Crossing. Upon completion of the Combination, T. Michael Glenn, retired executive vice president of FedEx Corporation, Kevin P. Chilton, former commander of U.S. Strategic Command, Jeff K. Storey, Level 3's chief executive officer and president, and Steven T. Clontz, senior executive vice president of Singapore Technologies Telemedia Pte. Ltd., are expected to join the Company's board of directors. The current members of the CenturyLink Board are expected to continue as directors of the combined company.

¹⁹ Decisions on executive officers are subject to change as the parties complete integration planning and as decisions are made concerning the management structure of the combined company.

As stated above, the Transaction contemplates a parent-level transfer of control of the Level 3 Operating Entities. Thus, as depicted in the attached charts showing the pre- and post-Transaction corporate structure, the Level 3 Operating Entities will become wholly-owned indirect subsidiaries of CenturyLink but will otherwise continue to exist as separate certificated carriers with no change in operational structure.²⁰ Further, because this Transaction is a combination at the parent company level only, it is not a transaction in which local exchanges, companies, or assets are being sold, combined or transferred to a new provider, and each subsidiary will continue to have the requisite managerial, technical and financial capability to provide services to its customers.

IV. THE TRANSFER OF CONTROL MEETS THE SECTION 854(a) STANDARD, PROMOTES THE PUBLIC INTEREST AND OTHERWISE BENEFITS THE CALIFORNIA TELECOMMUNICATIONS MARKET AND ENTERPRISE CUSTOMERS

Section 854(a) requires prior authorization from the Commission before the finalization of any transaction that results in the merger, acquisition, or a direct or indirect change in control of a public utility. The “primary question” for the Commission to determine in a transfer of control proceeding under Section 854(a) is whether the transaction will be “adverse to the public

²⁰ Pre and post-merger corporate structure charts are attached to the Joint Application as Exhibit H.

Level 3 notes that the attached pre and post-merger corporate charts correct and update information provided in similar charts submitted in the context of earlier transactions. In particular, the attached chart correctly identifies Global Crossing North American Holdings, Inc. as a direct subsidiary of Level 3 LLC, not Level 3 GC Limited as inadvertently indicated in tw telecom of california l.p.’s (now known as Level 3 Telecom of California, LP) Advice Letter No. 577. In addition, Exhibit H reflects that (in 2012) Level 3 eliminated a holding company that was formerly a subsidiary of Global Crossing North America, Inc. and the immediate parent of Global Crossing Telecommunications, Inc. and Global Crossing Local Services, Inc. This change was entirely pro forma in nature and did not result in a change to the ultimate ownership or management of the certificated companies, the services provided to consumers or the names of the certificated service providers operating in the state.

interest.”²¹ The Commission may consider a broad range of criteria in evaluating whether the public interest standard has been met²² and the Joint Applicants respectfully submit that under any reasonable set of criteria the Transaction and the attendant transfers of control warrant approval. Indeed, the Commission has explicitly recognized that it is in the public interest to promote “a business climate that is hospitable to utilities” and that Section 854(a) transactions should be approved “absent a compelling reason to the contrary.”²³

Moreover, neither Sections 854(b) nor 854(c) is applicable to this Application. Section 854(b) applies to transactions where one of the utilities has gross annual intrastate revenues exceeding \$500 million. Section 854(c) applies to transactions where any of the parties to the transaction have gross intrastate revenues exceeding \$500 million. In this instance, the Level 3 Operating Entities’ annual revenues are far less than the \$500 million threshold either individually or collectively. (See Confidential Exhibit B). Indeed, even if the California revenues of the CenturyLink Operating Entities are taken into account, the revenues do not approach the \$500 million threshold under Section 854(c). (See Confidential Exhibit A.)

²¹ See *Joint Application of Wild Goose Storage Inc., EnCana Corp., Carlyle/Riverstone Global Energy and Power Fund III, L.P., Carlyle/Riverstone Global Energy and Power Fund II, L.P. and Nisaka Gas Storage US, LLC for Review under Public Utilities Code Section 854 of the Transfer of Control of Wild Goose Storage Inc. from EnCana Corporation to Nisaka Gas Storage, US, LLC and for Approval of Financing under Public Utilities Code Section 851*, D.07-03-047, at p. 4) (citing *In the Matter of Qwest Communications Corporation, LCI International Telecom Corp., USLD Communications, Inc., Phoenix Network, Inc. and U S West Long Distance, Inc., and U S West Interprise America, Inc.*, D.00-06-079, 7 CPUC 3d 101 at p. 107 (Jun. 22, 2000)).

²² See e.g., *Wild Goose Storage, supra*, D.07-03-047 at p. 5(“...using criteria from other subsections as guidance does not change the standard of review for this transfer of control [under Section 854(a)].“)

²³ See e.g., D.16-05-037, 2016 Cal. Lexis 607 (Comm South/Arcom); D.09-10-056, 2009 Cal. PUC Lexis 546 at *21-22 (SureWest reincorporation); D. 06-02-033, 2001 Cal. PUC Lexis 1070 (PacifiCorp); D. 05-08-006, 2005 Cal. PUC Lexis 569)(Highspeed Communications/Northwest Telephone); D. 05-06-012, 2005 Cal. PUC Lexis 216 (June 16, 2005) (Supra Telecommunications); D. 05-05-014, 2005 Cal. PUC Lexis 176 (Cal-Ore Telephone/Lynch Interactive); D.04-09-023, 2004 Cal. PUC Lexis 607 (Comm South/Arbos).

Further, the Commission’s long standing policy has been “uniformly” to exempt transactions involving CLECs and NDIECs such as the Level 3 (and CenturyLink) Operating Entities from the requirements of Section 854(b) and (c).²⁴ Nonetheless, as discussed below, the proposed Transaction and transfers of control meet all relevant standards for approval of this Section 854(a) request and are otherwise beneficial to California.

In addition, where a company acquiring control of a certificated telecommunications carrier does not possess a CPCN in California, like CenturyLink, the Commission generally applies the same requirements that govern a new applicant seeking a CPCN to exercise the type of authority held by the company being acquired; *e.g.*, financial resources and managerial expertise.²⁵ As discussed in more detail below, CenturyLink, which is currently the ultimate parent of the three CenturyLink Operating Entities, clearly meets, and exceeds, these standards.

A. No Adverse Impact – Current Customers Protected

As an initial matter, the Transaction will not have any adverse effect on, and will otherwise be seamless to, the Level 3 Operating Entities’ customers – all of whom are enterprise or carrier customers. The Level 3 Operating Entities provide telecommunications services to their enterprise and carrier customers through contracts with multi-year terms, typically for one to three years. Some contracts, such as Indefeasible Rights of Use (IRUs) for dark fiber, may even have terms up to 20 years. These contracts will not be assigned, terminated or otherwise modified due to the Transaction. Each of the Level 3 Operating Entities will continue to operate as they do today and provide services under their existing contracts and/or tariffs. The customer

²⁴ D. 05-11-028 (mimeo at p. 19), 2005 Cal. PUC LEXIS 516, at *33 (Commission notes that it has “authorized scores of transactions involving NDIECs and CLECs, but uniformly has exempted them from the detailed requirements of § 854(b) and, with limited exception, § 854(c).”).

²⁵ See, *e.g.*, *Joint Application of G3 Telecom, et al., supra*, D.14-08-016 at p. 4.

service, network and operations functions that are critical to Level 3 Operating Entities' success today will continue when the Transaction is complete. Similarly, there will be no negative effect on service quality because CenturyLink and Level 3's enterprise and wholesale are sophisticated customers who typically demand network reliability assurances via contract.

As noted above, the Level 3 Operating Entities do not serve residential customers therefore the Transaction has no direct impact on residential rates in California. Further, the Transaction is unlikely to indirectly affect residential rates because, as noted above, the Level 3 Operating Entities will continue to abide by their carrier customer contracts after the Transaction. Level 3, however, ultimately does not have any control over the rates that its carrier-customers charge.

B. Continuity of Management, Operational and Technical Expertise

In addition, the Level 3 Operating Entities will continue to be operated by highly experienced, well-qualified management, operational and technical personnel which is in and of itself a benefit to the State's telecommunications market. There is no anticipated change in the daily management or operations of these companies at this time. Meanwhile, Level 3 and its subsidiaries, including Level 3 Operating Entities, will have access to the operational and managerial resources of CenturyLink as well. Moreover, the post-Transaction management will be able to share best practices and draw upon the substantial combined experience of their respective management teams.²⁶

²⁶ See Exhibits D and G.

C. The Proposed Transfer of Control Will Benefit California and Enhance Competition in the California Middle Mile Market

The proposed transfer will not diminish competition in the state in any way. To the contrary, the Transaction will ensure that the Level 3 Operating Entities (as well as the CenturyLink Operating Entities) are well-placed to continue to offer competitive telecommunications services to enterprise and carrier customers, consistent with the California legislature's "clear desire" to promote competition and encourage the availability of a wide choice of state-of-the-art services.²⁷ By combining their financial and technical resources, both companies fully expect to continue to make significant capital investments in the state as they have done for years.²⁸ By integrating their operations, they will also be better able to coordinate network planning and engineering to offer new advanced services and maximize facilities deployment. This will help create a more robust, non-affiliated²⁹ competitor to the large incumbent and cable providers (e.g., AT&T, Verizon, Comcast) in the state.³⁰ The advantages of

²⁷ D. 06-08-030, 2006 Cal. PUC LEXIS 367, at *46-47; Cal Pub. Util. Code Section 709(c).

²⁸ A summary of CenturyLink's and Level 3's cap-X investment in California is attached hereto as Confidential Exhibit I. As noted in the exhibit, the companies have not yet developed 2017 specific capital expenditure plans for California as expenditures to deploy network or expand on-net building inventory are based on successful sale of services that – by definition - cannot be predetermined.

²⁹ See, e.g., D.16-12-025 at p. 107 (noting concern with ILEC's providing backhaul to affiliated wireless carriers and noting that even now, "...cable and other providers of backhaul supply about 15-20 percent of that market, still leaving one legacy carrier supplying backhaul to a majority of cell towers statewide.")

³⁰ See, e.g., D.16-12-025 at p. 99, n. 262 ("...special access/BDS services are largely, but not completely, in the hands of the incumbent carriers..."); see also id. at p. 104 ("The FCC has found that (i) legacy carriers still exercise considerable market power in the special access market, with ILECs and their affiliates accounting for \$37 billion of the \$ 45 billion in national BDS revenue..."); see id. at p. 82 ("The two largest ILECs provide approximately 4.2 million wireline business connections, more than the largest CLECs and cable companies combined.")..").

creating a more stable competitor in this market are discussed more extensively in the Joint Applicants' FCC Public Interest Statement regarding this Transaction.³¹

In addition, the operating entities will be able to augment and rationalize existing facilities to further ensure route diversity (thereby increasing security for enterprise and wholesale customers), and provide on-Net capabilities on a national and global level and even more attractive offerings to their respective customer bases.³² An improved ability to serve enterprise and wholesale customers will serve the public interest because, as the Commission stated in its recent order assessing the level of competition in California, the enterprise (*i.e.* business customer) market is "critically important" to the California economy.³³

Although no detailed plans regarding their California networks or service offerings have been developed at this stage,³⁴ where there are overlapping, parallel fiber facilities leased from third-parties, CenturyLink and Level 3 will be able to move traffic onto owned fiber where there is no technical or customer-driven reason not to do so. Where there is no overlap, each will ultimately be able to provide services in areas they previously could not reach without building

³¹ See Joint Applicants' FCC Public Interest Statement at Exhibit B, pp. B-1 through B-21. The Public Interest Statement can be found at: <https://ecfsapi.fcc.gov/file/12131078120341/CenturyLink-Level%203%20214%20Application.pdf>

³² According to Forbes ranking of the world's largest public companies, 66 are headquartered in California. Many of these companies have national and/or global footprints and have demonstrated demand for the type of services provided by the Joint Applicants. See e.g., <https://www.forbes.com/global2000/>

³³ D. 16-12-025, Finding of Fact 30.

³⁴ No particular California specific plans regarding either the network or combined service offerings have been developed at this early stage. The companies will have to close the transaction in order to develop network plans and new service offerings in the integration process post-close. These activities cannot be completed at this stage of the transaction in the normal course as the companies remain separate legal entities until the transaction closes.³⁵ A map of the overlap between CenturyLink's and Level 3's existing fiber routes in California, as well as maps showing the owned and leased facilities of each, are attached as Exhibit J.

out or leasing additional facilities. Moreover, where customers formerly had to rely on a mix of service providers to establish connectivity with out-of-state or foreign offices, they will be able to use a single provider.³⁵

CenturyLink and Level 3 also will be better able to assure network quality and maintenance standards by relying more on owned fiber, either by reducing overlapping leased facilities or transitions to the owned facilities of the other.³⁶ Again, this will benefit enterprise and carrier customers and thus the overall state of the California economy.

D. CenturyLink Meets All Qualifications as a Non-certificated Transferee

CenturyLink clearly meets the standards that would otherwise be required for a new applicant seeking to obtain a CPCN as it is qualified to be the parent company of the Level 3 Operating Entities. Not only is it already the parent company of the CenturyLink Operating Entities, as well as numerous other operating ILECs (and a CLEC) throughout the country, its management team has many years of experience and its financial resources are substantial as noted above.³⁷ Moreover, both CenturyLink (and Level 3) have significant experience and proven track records with acquiring, integrating and synergizing other companies which they will bring to bear in this transaction as well.

E. Commission Jurisdiction Maintained.

Finally, the Commission will retain the same regulatory authority over the Level 3 Operating Entities (as well as the CenturyLink Operating Entities) that it currently possesses.

³⁵ A map of the overlap between CenturyLink's and Level 3's existing fiber routes in California, as well as maps showing the owned and leased facilities of each, are attached as Exhibit J.

³⁶ Information about CenturyLink's and Level 3's fiber route miles and on-net/off-net buildings is attached hereto as Confidential Exhibit K.

³⁷ See e.g., Exhibits D and G; see also nn. 13 and 15, *supra*.

Thus, the Commission’s ability to monitor and regulate the Level 3 Operating Entities, as well the respective regulatory obligations of those entities (e.g., reporting, user fees, surcharges, etc.) will remain unchanged.³⁸

V. CEQA COMPLIANCE

The California Environmental Quality Act (“CEQA”) applies only to “projects,” which are defined as any “activity which may cause either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment.”³⁹ In contrast, CEQA does not apply where the “activity will not result in a direct or reasonably foreseeable indirect physical change in the environment.”⁴⁰ The CEQA Guidelines provide for an exemption “[w]here it can be seen with certainty that there is no possibility that the proposed activity in question may have a significant effect on the environment.”⁴¹

The Commission has concluded on numerous occasions that a proposed transaction which simply involves the transfer of equity interests does not require CEQA review because in such circumstances there is no possibility that granting the application would have an adverse effect on the environment.⁴² Likewise in the present application, the proposed Transaction is not

³⁸ In addition, the Commission’s desire to continue to monitor the middle mile market expressed in D.16-12-025 will not be hampered in any way as the Joint Applicants will continue to cooperate with those efforts as they have done with the recent data request issued per that Decision. See D.16-12-025 at p. 192, OP 2.

³⁹ See *Cal. Pub. Res. Code* § 21065.

⁴⁰ CEQA Guidelines, § 15060(c)(2).

⁴¹ CEQA Guidelines, § 15061(b)(3).

⁴² See, e.g., D.93-11-002 at *4 (Commission concluded that the proposed transaction did not require CEQA review, finding that “the proposed transfer will have no adverse effect or impact on the environment because the transaction involves only the transfer of outstanding shares of stock”); see also D.06-09-017, at 6 (Conclusions of Law No. 3) (the proposed transaction did not require CEQA review based on the Commission’s conclusion that “[s]ince Applicants will be constructing no facilities, it can be

a request to construct or transfer any physical facilities, but rather involves only a change of control of the Level 3 Operating Entities through the transfer of equity interests in the Level 3 Operating Entities' ultimate parent. Thus, there is no possibility that the proposed Transaction will have an adverse impact on the environment. Accordingly, pursuant to Rule 2.4 of the Commission's Rules, Joint Applicants request that the Commission make a determination that the proposed Transaction is not a project within the meaning of CEQA, California Public Resources Code, Section 21000, *et. seq.*

VI. ADDITIONAL INFORMATION

A. Customer Transfer Notification

Because the Level 3 Operating Entities will continue to offer services to its customers after consummation of the Transaction, and there will be no customer transfers, no notice of transfer is required.

B. Verifications and Certifications

As noted above, each of the Level 3 Operating Entities is currently in good standing with the California Secretary of State and they have not been found to have violated any California law or Commission order. To the best of the companies' knowledge, they are in compliance with the Commission's annual reporting, bonding, user fee and surcharge reporting requirements, as applied to CLECs and IXC's. In addition, none of the Level 3 Operating Entities have previously been sanctioned by the Commission. (See Confidential Exhibit L)⁴³

seen with certainty that there will be no significant effect on the environment").

⁴³ See D.13-05-035 at 14. Although not technically required, and subject to any limitations noted in Confidential Exhibit M, the same representations are also true with respect to the CenturyLink Operating Entities.

In addition, as set forth in Confidential Exhibit M, CenturyLink has provided the appropriate certification/verification as required by D.13-05-035 and as otherwise required under the Commission's rules regarding transfers of control.⁴⁴

VII. REQUEST FOR EXPEDITED APPROVAL AND RULE 2.1(C) SCHEDULE

Joint Applicants respectfully request that the Commission approve this Application on an expedited basis.⁴⁵ As noted above, the transfer of control of the Level 3 Operating Entities to CenturyLink, as well as the underlying Transaction, will have no adverse effect on any California customers. It will not result in any change in the operations, rates, terms or conditions of service. Moreover, the Level 3 Operating Entities will continue to operate under their respective current certificates and names without the need to obtain any further authority or certifications from the Commission. In short, the proposed Transaction will be seamless and transparent to the Level 3 Operating Entities' California customers and is exempt from environmental review under CEQA. Accordingly, Joint Applicants believe that the information presented is sufficient to permit any interested parties to review the proposed transfer and for the Commission to approve the same.⁴⁶

⁴⁴ The Joint Applicants note that although the certification obligation in Ordering Paragraph 14 of D.13-15-035 references "applicants", the Joint Applicants understand that this obligation applies to the transferee (i.e., CenturyLink) and not to the transferred parties (i.e., the Level 3 Operating Entities) who otherwise are required to certify that they are current on all of their Commission mandated fees and reporting requirements. See Confidential Exhibit L.

⁴⁵ As noted above, see n. 2, *supra*, the Joint Applicants now seek approval of the indirect transfers of control through the Application process instead of the advice letter process established in D.04-10-038 and to that end, seek the Commission's assistance in making sure that this request, and thus the underlying Transaction, can move forward in a timely manner.

⁴⁶ See, e.g., Rule 14.6(c)(2) of the Commission's Rules of Practice and Procedure (allowing the

For business and financial reasons, and in order to meet an anticipated Transaction closing of September 30, 2017 (provided all regulatory approvals have been obtained by that date),⁴⁷ Joint Applicants seek the requisite authority to complete the Transaction as soon as possible, and accordingly propose the following schedule:

Application Filing Date	March 22, 2017
Protests and other responses to Application Due	30 days after Notice in the Daily Calendar
Replies to protests	10 days after protests, if any
Proposed Decision issued:	40 -75 days after Application filed
Commission Final Decision	Approximately 120 days after Application filed

VIII. PROCEDURAL REQUIREMENTS

A. Rule 2.1(c) Categorization and Determination of the Need for Hearings

Joint Applicants propose that this proceeding be categorized as ratesetting. Although this

Commission to waive the period for public review and comment on proposed decisions in the event that a matter is uncontested and where the decision grants the relief requested.)

⁴⁷ CenturyLink and Level 3 announced to the investor community, both when the transaction was announced and in subsequent investor calls, that the transaction is expected to close by the end of the third quarter of 2017 (September 30). Meeting this closing deadline requires satisfaction of all conditions precedent to effectuating the Merger, as spelled out by the Parties' Merger Agreement. These conditions precedent include a requirement to obtain all necessary regulatory approvals and consents. Section 9.1(b) of the Parties' Merger Agreement establishes a Termination Date for the Agreement of October 31, 2017, if all conditions precedent to closing have not been satisfied or the agreement has not otherwise been extended. The September 30th deadline is based on a number of factors: pre-announcement due diligence regarding the reasonably expected timeframe for satisfying all of the conditions precedent, including obtaining the necessary regulatory approvals and consents; the desirability from an accounting standpoint of closing at the end of a quarter, and; the safeguard of satisfying all conditions precedent at least 30 days in advance of the Merger Agreement's Termination Date. At this point, CenturyLink expects to have regulatory approval from the FCC and all other states by the expected close date of September 30.

Joint Application will not affect the rates of the Level 3 Operating Entities' current customers, the definitions of "adjudicatory" or "quasi-legislative" as set forth in Rules 1.3(a) and 1.3(d) clearly do not apply to this Joint Application. Rule 7.1(e)(2) specifies that when a proceeding does not fall within any of the categories set forth in Rule 1.3, it should be conducted under the rules for ratesetting proceedings. In addition, Rule 1.3(e) defines ratesetting proceedings to include "[o]ther proceedings" that do not fit into any category.

The Joint Applicants further submit that they expect that hearings will be unnecessary in this proceeding and that the information included in this Joint Application should enable the Commission to "reach findings on all issues that California statutes require the Commission to address" when evaluating a Section 854(a) application.⁴⁸

B. Rule 2.1(c) Determination of Issues to Be Considered

The only issue raised by this Application is whether the indirect transfer of control of the Level 3 Operating Entities to CenturyLink from Level 3 in the context of the Transaction meets the standards required by the Commission (i.e., transfer is not adverse to the public interest and CenturyLink meets the qualifications to obtain a CPCN) in evaluating a Section 854(a) application.

C. Compliance with Procedural Requirements

This section cross-references compliance with the Rules applicable to this Application:

Rule	Requirement	Section	Exhibit(s)
2.1(a)	Legal Name and Address	I	na
2.1(b)	Persons to Receive Notice	I(D)	na
2.1(c)	Categorization/Hearing/Proposed	VII, VIII	na

⁴⁸ Application of Comcast Business Comm'ns, Inc. for Approval of the Change of Control of Comcast Business Comm'ns, Inc., D.02-11-025 at p. 36 (Nov. 7, 2002) (in approving the acquisition of AT&T Broadband by Comcast, the Commission further explained its denial of request by protesting parties that hearings were necessary stating, "the structure of this decision, which addresses each provision of the guiding and controlling statutes, demonstrates that there is no need for hearings . . .").

	Schedule		
2.2	Formation Agreements and Qualifications to Transact Business	II(E)	C, E and F
2.3	Financial Statements	II(E)	Links at n. 13, 15 and 16
2.4	CEQA Compliance	V	na
2.5	Fees for Recovery of EIR Costs	na	na
3.6(a)	Character of Business	I, II.A-C	na
3.6(b)	Description of Property	na	na
3.6(c)	Reasons for Transaction	I, III, and IV	Link at n. 32
3.6(d)	Terms of Transaction	III	Link at n. 16
3.6(f)	Transaction Documents	III	Link at n. 16
3.6(e)	Financial Statements	II(E)	Links at n. 13, 15 and 16
3.6(g)	Pro Forma Balance Sheet	III	Link at n. 16
2.1 and D.13-05-035, ¶ 18	Level 3 and Level 3 Operating Entities' Verification and Certification	VI.B	L
2.1 and D.13-05-035, ¶14	CenturyLink Verification and Certification	VI.B	M

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IX. CONCLUSION

For the reasons stated above, Applicants respectfully submit that the public interest, convenience, and necessity would be served by grant of this Application.

Signed and dated this 22nd day of March, 2017.

Respectfully submitted,

/s/

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