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MEMORANDUM

TO: The Chairman and Members of the Commission

FROM: Ron Teixeira, Public Utilities Analyst RJT

DATE: September 23, 2014

SUBJECT: IN THE MATTER OF THE APPLICATION OF SUNESYS, LLC FOR AUTHORITY TO PROVIDE GUARANTY AND OTHER SECURITY IN CONNECTION WITH A CREDIT AGREEMENT (FILED SEPTEMBER 11, 2014) - DOCKET- NO. 14-0285

Application

Sunesys, LLC ("Sunesys" or the "Applicant"), an indirect subsidiary of Quanta Services, Inc. ("Quanta"), has filed an application seeking Commission approval for Sunesys to provide certain security in connection with a Third Amended and Restated Credit Agreement dated October 30, 2013 ("Third Credit Agreement"), entered into by Quanta and the other parties. The Third Credit Agreement restates and replaces the Quanta credit agreement in PSC Docket No. 11-428. The Third Credit Agreement was executed by Quanta and the other parties, but not Sunesys, and closed on October 30, 2013. It now provides for a revolving credit in the total amount of $1.625 billion, comprised of a $1.325 billion base amount in aggregate commitments, with an additional $300 million option. Sunesys requests the Commission approve this application to allow for its participation in this financing transaction as a guarantor.

Parties

A. Sunesys, LLC

Sunesys is an indirect, wholly owned subsidiary of Quanta Services Inc. and a single-member Delaware Limited Liability Company with its principle office located at 185 Titus Avenue, Warrington, Pennsylvania 19876. Sunesys was granted a Certificate of Public Convenience and Necessity in Delaware to provide local exchange and competitive intrastate telecommunications services (Order No. 6008, issued in PSC Docket No. 02-175 on August 6th, 2002). Sunesys provides dedicated point-to-point telecommunications transmission services to commercial, governmental and non-profit

customers in Delaware, California, Florida, Georgia, Illinois, Maryland, New Jersey, New York, Ohio and Pennsylvania.

B. Quanta Services, Inc.

Quanta Services, Inc. is a Delaware corporation with its principal office located at 2800 Post Oak Blvd., Suite 2600, Houston, TX 77056-6175. Quanta is a leading provider of specialized contracting services, offering infrastructure solutions primarily to the electric power and oil industries. The Company's common stock is listed on the New York Stock Exchange under the ticker symbol "PWR."

C. Transaction

The Third Credit Agreement provides Quanta with $1.325 billion senior secured revolving credit facility maturing on October 30, 2018. Up to $300 million of the facility is available in incremental revolving credit agreements. In total, Quanta has access to $1.625 billion in revolving credit pursuant to the agreement. Borrowings under the Third Credit Agreement are to be used to refinance existing debt.

The transaction is "essentially a refinancing event for Quanta." By amending and restating its prior credit agreement, the Third Credit Agreement will increase the credit available to Quanta and its operating subsidiaries. Sunesys' role and degree of participation in this financing agreement is exactly as it was under the prior financing agreements approved in PSC Docket Nos. 07-357 and 11-428. Sunesys pledged its assets and stock in guaranty of Quanta's credit agreement in prior financings, and will do the same in this transaction. Therefore, the obligation of Sunesys' under Quanta's Third Credit Agreement is to guarantee and pledge its assets and stock.

As of the closing of the credit facility on October 30, 2013, Quanta had approximately $227.6 million of letters of credit issues under the Credit Agreement, and $47.3 million of outstanding revolving loans. The remaining $1.050 billion commitment was available for revolving loans or issuing new letters of credit.

D. Public Interest, Proper Purpose and In Accordance with Law

The Applicant asserts that the public interest will be served. According to Sunesys, approving the application would serve the public interest by enhancing the ability of the company to grow and compete in the highly competitive telecommunications markets in Delaware and nationwide. The financing arrangements will also provide Sunesys with the financial resources needed to continue and provide high quality services to its customers. In the unlikely event that Sunesys' capital structure becomes too costly, the Company could always access operating capital through Quanta on favorable terms and conditions under the Third Credit Agreement, to ensure rates remain competitive in the marketplace. In addition, the Applicant has shown that the financing is for a proper purpose and is seeking the approvals of the regulatory

authorities which are necessary for this financing to demonstrate that it is in accordance with law.

E. Staff Recommendation

Applications seeking approval of assumption of liability as guarantor of control of Delaware public utilities 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 Applicants have represented that the financial 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 same result here seems appropriate under the circumstances. Therefore, Staff recommends that the Commission not act on this Application. Under 26 *Del. C.* §215, the application is approved, if no action by the Commission is taken within 30 days after the filing of the Application. Within 30 days after all of the steps of the Transaction have been completed, the Applicants will send Staff verification that the Transaction has been completed.