

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

PROCEEDING NO. 20A-0422T

IN THE MATTER OF THE JOINT APPLICATION OF ALLO COMMUNICATIONS LLC, NELNET, INC, AND SDC ALLO HOLDINGS, LLC FOR APPROVAL OF THE PROPOSED TRANSFER OF INDIRECT CONTROL OF ALLO COMMUNICATIONS LLC TO SDC ALLO HOLDINGS, LLC.

**COMMISSION DECISION
APPROVING JOINT TRANSFER**

Mailed Date: December 15, 2020
Adopted Date: November 25, 2020

I. BY THE COMMISSION

A. Statement

1. This matter comes before the Commission for consideration of a joint application filed by Nelnet, Inc. (Nelnet), ALLO Communications LLC (ALLO) and SDC Allo Holdings, LLC (SDC-AH) on October 14, 2020 (Joint Application). The applicants request Commission authorization for a proposed transfer of indirect control of ALLO to SDC-AH (Transfer).

2. We will construe this filing as an application for approval of the transfer of indirect control of the Commission issued telecommunications authority held by ALLO, pursuant to 4 *Code of Colorado Regulations* (CCR) 723-2-2110 of the Commission's Rules Regulating Telecommunications Services and Providers of Telecommunications Services.

3. ALLO is authorized to provide local exchange telecommunications services pursuant to a Certificate of Public Convenience and Necessity (CPCN) granted by Decision No. C18-0546, issued in Proceeding No. 18A-0340T on July 11, 2018.

4. ALLO is currently majority owned by Nelnet. ALLO offers competitive local telephone, long distance, broadband, Internet and television services to homes in Nebraska and

Colorado. ALLO currently offers services through a combination of its own switching and fiber optic network, leased facilities, and some resold services and provides gigabit fiber services.

5. Nelnet is a diversified company with its core operating businesses engaging in loan servicing, asset management, education technology, services, and payment processing, and communications. Nelnet is currently the entity that has significant ownership interest in ALLO.

6. SDC-AH is a Delaware limited liability company created for the purpose of this transaction. SDC-AH is owned by investment funds controlled by an affiliate of SDC Capital Partners, LLC (SDC). SDC invests in data centers, fiber networks, wireless infrastructure and associated businesses, with a focus on opportunities to leverage its deep operational expertise in partnership with portfolio management teams.

7. Pursuant to the Transfer, dated October 1, 2020, SDC-AH will acquire preferred membership units in ALLO that will represent approximately 48 percent of the voting membership of ALLO. As a result of the conversion, Nelnet will no longer have a controlling interest in ALLO since it will control less than 50 percent of the voting membership interests and hold less than 50 percent of the Board of Managers. A new holding company, New Holdco(s), may be inserted between ALLO and its members, which would result in a change in the direct ownership of ALLO with SDC-AH, and Nelnet having indirect negative control of ALLO.

8. On October 15, 2020, notice of the Joint Application was provided to all persons, firms, or corporations interested in or affected by the grant or denial of the requested relief. Interventions were due on or before November 16, 2020. No interventions were filed.

9. On November 6, 2020, a supplement to the application was filed. The supplement included information that it is likely that several intermediary holding companies may be formed

between ALLO and entities that have ownership interest. The filing also included updated corporate organizational charts that show this contemplated post-transaction structure.

B. Discussion

10. The Commission has jurisdiction over this Joint Application pursuant to §§ 40-5-105, 40-15-204, and 40-15-303, C.R.S.

11. The Joint Application contains all of the information required by the applicable Commission Rules and is, therefore, deemed complete.

12. The Joint Application is unopposed and therefore may be considered without a formal hearing, pursuant to § 40-6-109(5), C.R.S.

13. Following the conversion and Transfer, ALLO will continue to provide high-quality telecommunications services while gaining access to additional capital as well as the resources and operational expertise of SDC-AH. This access to additional capital will allow ALLO to continue to invest in and expand its all-fiber-optic network. The conversion will not result in any service disruption, termination, confusion, or other adverse impact on customers as ALLO will continue to provide service at the same rates, terms, and conditions, as governed by existing contracts and tariffs, as applicable. Further, ALLO will continue to be managed by a core team with significant expertise in the telecommunications industries.

14. ALLO is a competitive local exchange provider with Commission issued authority. Except for limited circumstances (such as for providers that are recipients of state high cost support and for the provision of basic emergency services), certifications to provide basic local exchange services are no longer regulated by the Commission. *See* § 40-15-401(1)(b), C.R.S. Similarly, the provision of any other emerging competitive services such as advanced features, premium services, intraLATA toll, non-optional operator services, and private line services, except switched

access services and basic emergency services, are no longer regulated by the Commission. *See* §§ 40-15-401(1)(e), (k), (n), (o), (s), and (t), C.R.S. Consequently, the Commission does not have the authority to approve the transfers of the CPCNs or those parts of the Letters of Registration addressing advanced features, premium services, intraLATA toll, non-optional operator services, and private line services.

15. Switched access services and the provision of basic emergency services have not been deregulated. As a result, we have the authority to review and approve/deny the transfers and encumbrances of the part of authorities held by providers that address those services.

16. We remind applicants that public utilities remain subject to Commission oversight that includes, but is not limited to, reporting and payment obligations to the Colorado High Cost Support Mechanism and the Telecommunications Relay Services Program.

17. We find that the proposed transfer of control of the telecommunications authorities held by ALLO Communications LLC is not contrary to the public interest and therefore grant the Joint Application for transfer of control to that extent. The Joint Application recognizes the Commission's jurisdiction as it now exists. Entities that hold Commission issued authorities remain obligated to comply with any applicable requirements or regulations as stated in Article 15 of Title 40.

II. ORDER

A. The Commission Orders That:

1. The Joint Application to transfer filed by Nelnet, Inc., ALLO Communications LLC, and SDC Allo Holdings, LLC is deemed complete. The request to transfer control of the Commission issued authorities held by ALLO Communications LLC is granted.

2. Nelnet, Inc., ALLO Communications LLC, and SDC Allo Holdings, LLC or their authorized representatives shall jointly notify the Commission if the transfer has been terminated

or is not completed within 60 days of the proposed effective date stated in the application or if the proposed transfer terms are changed prior to the consummation date. The notice shall include the proceeding and decision numbers which granted the authority to execute the transfer.

3. The 20-day period provided for in § 40-6-114, C.R.S., within which to file applications for rehearing, reargument, or reconsideration begins on the first day following the effective date of this Decision.

4. This Decision is effective on its Mailed Date.

**B. ADOPTED IN COMMISSIONERS' WEEKLY MEETING
November 25, 2020**

(S E A L)



ATTEST: A TRUE COPY

Doug Dean,
Director

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

JEFFREY P. ACKERMANN

JOHN C. GAVAN

MEGAN GILMAN

Commissioners