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January 22, 2007

VIA HAND DELIVERY

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street - Filing Room (2 North)
Harrisburg, PA 17105-3265

DOCUMENT
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Re: Joint Application of Commonwealth Telephone Company CTSI, LLC and CTE Telecom, LLC d/b/a Commonwealth Long Distance Company For All Approvals Under The Public Utility Code for the Acquisition By Citizens Communications Company of All of the Stock of the Joint Applicants' Corporate Parent, Commonwealth Telephone Enterprises, Inc., Docket Nos. A-310800F0010, A-311095F0005 and A-311225F0003; **REPLY OF COMMONWEALTH TELEPHONE COMPANY, CTSI, LLC, AND CTE TELECOM, LLC d/b/a COMMONWEALTH LONG DISTANCE COMPANY AND CITIZENS COMMUNICATIONS COMPANY TO THE EXCEPTIONS FILED BY THE BROADBAND CABLE ASSOCIATION OF PENNSYLVANIA**

Dear Secretary McNulty:

Enclosed for filing please find an original and nine (9) copies of the Reply of Commonwealth Telephone Company, CTSI, LLC, and CTE Telecom, LLC d/b/a Commonwealth Long Distance Company and Citizens Communications Company to the Exceptions filed by the Broadband Cable Association of Pennsylvania ("BCAP").

Please be advised that on Friday, January 19, 2007, an "all parties, all issues" Settlement Petition was filed with the Commission and is currently pending before Administrative Law Judge Susan D. Colwell. This Settlement Agreement was filed following settlement and withdrawal of all Protests filed by the competitive local exchange carriers, including Blue Ridge, a BCAP member.

Consideration of both BCAP's Exceptions and the ALJ's decision on the Joint Petition for Unanimous Settlement is requested to occur at the Commission's Public

55

Meeting of March 1, 2007, inasmuch as granting BCAP's Exceptions would negate the Settlement Agreement.

Thank you for your attention to this matter.

Sincerely,


Norman J. Kennard

NJK/ajt

Enclosure

cc: Honorable Susan D. Colwell

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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|--|---|---------------|
| In re Joint Application of | : | |
| | : | |
| Commonwealth Telephone Company | : | A-310800F0010 |
| CTSI, LLC, and | : | A-311095F0005 |
| CTE Telecom, LLC d/b/a Commonwealth | : | A-311225F0003 |
| Long Distance Company | : | |
| | : | |
| For All Approvals Under The Public Utility | : | |
| Code for the Acquisition By Citizens | : | |
| Communications Company of All of the Stock | : | |
| of the Joint Applicants' Corporate Parent, | : | |
| Commonwealth Telephone Enterprises, Inc. | : | |

DOCKETED
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**REPLY OF
COMMONWEALTH TELEPHONE COMPANY, CTSI, LLC, AND
CTE TELECOM, LLC d/b/a COMMONWEALTH
LONG DISTANCE COMPANY AND CITIZENS
COMMUNICATIONS COMPANY
TO THE EXCEPTIONS FILED BY THE
BROADBAND CABLE ASSOCIATION OF PENNSYLVANIA**

Commonwealth Telephone Company ("CTCo"), CTSI, LLC ("CTSI"), and CTE Telecom, LLC d/b/a Commonwealth Long Distance Company ("CLD"), (hereinafter collectively referred to as the "Applicants" or "Joint Applicants"), and Citizens Communications Company ("Citizens") reply to the Exceptions of the Broadband Cable Association of Pennsylvania ("BCAP") submitted to the Commission on January 4, 2007.¹

**DOCUMENT
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¹ In response to the re-issuance of the Initial Decision on January 4, 2007, BCAP filed a letter on January 12, 2007 stating that it would not be submitting revised Exceptions.

I. BACKGROUND

On September 29, 2006, the Joint Applicants filed an application with the Public Utility Commission (“Commission”) for all approvals necessary for their parent company, Commonwealth Telephone Enterprises, Inc. (“CTE”), to be acquired by Citizens Communications Company (“Citizens”). Notice of the Application was published in the *Pennsylvania Bulletin* on October 14, 2006, which required all protests to be filed by October 30, 2006.

BCAP filed a Protest and Petition to Intervene on October 30, 2006. BCAP is an association of incumbent cable television providers operating in Pennsylvania. In its protest, BCAP alleged five nexuses between itself and the instant proceeding:

- (1) “an increasing number of BCAP members are providing voice service offerings to customers in Pennsylvania using PUC-certificated affiliates and other non-jurisdictional arrangements”;
- (2) “[a]dditional BCAP members are interested in providing IP-enabled digital voice services to consumers in Pennsylvania”;
- (3) BCAP members are “seeking to compete with Incumbent Local Exchange Carriers (“ILECs”) such as [the Applicants] regarding video programming and high speed data service options”;
- (4) “BCAP members have affiliates that are certificated to provide Competitive Local Exchange Carrier (“CLEC”) service in Pennsylvania in potential competition with” the Applicants; and
- (5) “[a]ffiliates of other BCAP members are providing and/or seek to provide voice services in competition with the Applicants.”²

BCAP seeks to use these current and potential interests of its members and companies affiliated with its members to claim a direct interest in this proceeding. No members were identified specifically in BCAP’s protest.

The Joint Applicants, along with Citizens, filed a Joint Answer and Preliminary Objections on November 10, 2006, alleging, *inter alia*, that BCAP did not have the requisite

² BCAP Protest at 2 (emphasis provided).

substantial, direct and immediate interest in this proceeding. BCAP, in its Answer to the Joint Applicants' and Citizens' Preliminary Objections, sought to enhance its claim of membership interest by referring to "a partially-owned subsidiary of a BCAP member" currently certificated in one of the Joint Applicants' service territories as well as other BCAP members that "may consider" competing with the Joint Applicants at some unspecified point in the future.³

On December 14, 2006, Presiding Administrative Law Judge Susan D. Colwell granted the Applicants' Preliminary Objections and dismissed the protest of BCAP, finding that BCAP lacked a direct interest in the Application and, therefore, did not have the requisite standing to protest.

BCAP filed Exceptions to ALJ Colwell's Initial Decision, to which the Joint Applicants now Reply.

II. SUMMARY OF REPLY

In its Exceptions, BCAP frames the question of its interest in this case as: 1) whether competition is in the public interest; and 2) whether competition is an issue in this case. The answers to these questions are obvious. They are too broadly stated, however, and do not frame the right question.

More accurately stated, the issue here is:

Whether an association, whose protest names no members with an interest or names members whose interests have been satisfied, has standing to advance generalized interests regarding competitive entry in a merger application case that does not affect those interests and where entry is the subject of separate statutory procedures?

The answer to this question is unequivocally "no." Unnamed members cannot confer standing on the members' association. Entry and interconnection are separate statutory rights that are not

³ BCAP Answer to Preliminary Objections at 5-6.

affected by this case and can only be obtained by separate application by the members themselves.

BCAP's protest suffers from three fundamental infirmities:

1. BCAP asserts no defined interest other than the generalized objective to remove barriers to entry of unnamed cable company members that "may" at some time want to compete with CTCo, but who have not yet identified themselves or sought to do so.
2. This parent level merger case does not in any way affect the entry issues raised by BCAP. Competitive certification and interconnection are statutory rights conferred by statutes that are not at issue and not affected in any way in this parent-level acquisition case.
3. The relief sought -- cable company certification and interconnection -- are not available here. Application for certification and an interconnection agreement must be made by individual carriers and not an association. A carrier could not, by protesting this case, obtain a certificate under the Public Utility Code or trigger the interconnection agreement process of the Telecommunications Act of 1996 ("TCA-96"). The same is true for its trade association.

As to the first shortcoming, while BCAP asserts it is "an association of entities that have clearly expressed their desire to enter CTCo's territory,"⁴ BCAP, in its Exceptions (but not in its Protest), named two member companies that have or are seeking certification in CTCo's service territory. Neither confers standing on BCAP here.

BCAP cannot assert that it is representing the interests of Service Electric Telephone ("SET"), which already possesses a certificate and an interconnection agreement filed by CTCo and approved by the Commission.⁵ Entry is complete and SET is operating. The other member, Blue Ridge Cable Digital Phone ("Blue Ridge"), intervened itself in this case and has now withdrawn its protest as having been "satisfied." If its member Blue Ridge has been satisfied,

⁴ BCAP Exceptions at 4.

⁵ *Joint Petition of Commonwealth Telephone Company and Service Electric Telephone Company, LLC For Approval of a Negotiated Interconnection Agreement under Section 252(e) of the Telecommunications Act of 1996*, Docket No. A-310651F7003, Opinion and Order entered August 19, 2004.

then BCAP should not be allowed to claim that it is not satisfied and then seek greater relief on Blue Ridge's behalf.

More fundamentally, there are no contested CLEC certificate applications or interconnection agreement disputes involving any CLEC, BCAP member or not and either CTCo or the Frontier Companies. CTCo has not appealed and is not contesting in any way Sprint's certification as a wholesale CLEC.⁶ CTCo's only point in protesting the Sprint case in the first place was to address the issue of certifying the underlying retail service provider. The Commission has spoken and determined that both Sprint and Blue Ridge should be certificated.

CTCo has never opposed Blue Ridge's certification,⁷ as its witness Mr. Burnside stated in testimony last year: "CTCo supports the issuance of a certificate to Blue Ridge" on a facilities-basis.⁸ Blue Ridge withdrew its protest in this merger case and CTCo agreed to sign a settlement agreement for the Commission's approval in Blue Ridge's CLEC application case. Further, CTCo withdrew its protest in the RCN CLEC Application case and is in the process of resolving the remaining commercial terms of interconnection with RCN.⁹

BCAP, later in its Exceptions, expanded the scope of its associational representation to include "those entities that may enter the CTCo or Frontier territories in the future, but do not

⁶ *Application of Sprint Communications Company L.P. To Amend Its Certificate of Public Convenience to Begin to Offer, Render, Furnish, and Supply Competitive Local Exchange Telephone Services to the Public in the Commonwealth of Pennsylvania*, Docket No. A- 310183F0002AMA, Opinion and Order entered December 1, 2006 ("*Sprint Application*").

⁷ *Application of Blue Ridge Digital Phone Company to Provide Telecommunications Services in the Commonwealth of Pennsylvania in the Service Territories of Alltel Telephone Company, Commonwealth Telephone Company and Palmerton Telephone Company as Facilities-Based Competitive Local Exchange Carrier and Interexchange Toll Reseller*, Docket Nos. A-310183F0002AMA, A-310183F0002AMB and A-310183F0002AMC, Application submitted June 13, 2006 ("*Blue Ridge Application*").

⁸ *Id.*, Prepared Direct Testimony Of Scott Burnside, Senior Vice President On Behalf Of Commonwealth Telephone Company dated December 20, 2006 at 14.

⁹ *Application of RCN Telecom Services, Inc. for Approval to Offer, Render, Furnish or Supply Telecommunications Services as a Competitive Local Exchange Carrier In the Service Territory of Commonwealth Telephone Company*, Docket No. A-310554F0002AMA, CTCo Withdrawal of Protest filed January 10, 2007.

have pending applications for competing authority[.]”¹⁰ The fact that there is no protested CLEC application pending in either the CTCO or Frontier territories illustrates that BCAP’s interest is merely hypothetical and speculative in nature. BCAP mentions one member cable company, “Armstrong Cable,”¹¹ but no certificate application has been filed. CTCO has no record of any interconnection request, formal or informal, by Armstrong Cable. Such an interest is hardly substantial, direct and immediate. Associational standing cannot be based upon the possibility that a member might, some day, seek certification and interconnection.

Secondly, BCAP’s issues are not affected by the parent-level acquisition for which approval is sought in this case. Neither CTCO nor the Frontier Companies propose any change in the certification or interconnection processes set by statute. Thus, the three cases cited by BCAP where the issues included entry and interconnection or the effect on competition, are inapposite here. While BCAP relies upon the *Rural and Small Company* suspension case to establish standing here,¹² that case is fundamentally different from this parent level merger application. The *Rural and Small Company* case sought to change incumbent carriers’ interconnection obligations under 47 U.S.C. Section 251(f)(2). This case, on the other hand, proposes no effect in either current or prospective interconnection.

In the 1999 acquisition of GTE by Bell Atlantic,¹³ the issue of reduced competition caused by removing GTE as a potential competitor of Bell Atlantic was raised. However, here, Citizens has stated its current intention that CTCO’s competitive affiliate, CTSI, will continue operation and service to the 138,806 access lines in 18 Pennsylvania counties (as of September 30, 2006), and is not affected at all by the transaction. Joint Petitioners’ Exh. No. 1 at 5. Thus,

¹⁰ BCAP Exceptions at 6.

¹¹ BCAP Exceptions at 7.

¹² BCAP Exceptions at 5.

¹³ BCAP Exceptions at 5.

the ruling in *Bell Atlantic* has no bearing here either. Nor do the gas competition cases cited by BCAP apply, since *PG&W*¹⁴ was a rate case where the terms of tariffed competitive use of “essential facilities” (i.e., gas transportation) were proposed to be changed and directly affected.

Thirdly, the certification and interconnection process relief BCAP seeks on behalf of its members is not available in this proceeding and, as importantly, can be sought only by a carrier, not the carrier’s trade association. Section 252 of the Telecommunications Act of 1996, 47 U.S.C. § 252 is triggered by a “request for interconnection,” submitted by a carrier seeking interconnection under Section 251. The types of interconnection available are defined under Section 251 as the duties and rights of “telecommunications carriers,” not associations. There has been no arbitration request by any BCAP member. Certification as a jurisdictional telephone company under 66 Pa. C.S. Section 1102, is available only “upon application of any public utility.” Furthermore, none of the “potential competitors” BCAP purports to represent could have obtained a certificate under the Public Utility Code or triggered the interconnection agreement process of the TCA-96 by filing a protest in this case. BCAP cannot do so either.

Finally, the public interest does not support BCAP’s entry into this case. There is currently pending a settlement of all parties and all issues that will shortly come to the Commission for approval. With the Commission’s December 1, 2006 resolution to the Sprint “wholesale” application, CTCO was able to resolve the issue of retail cable telephone service with various pending cable company applications. CTCO has worked with Sprint and the cable companies to advance their competitive plans as facilities-based telephone service providers. CTCO has stipulated its lack of objection to the issuance of CLEC certificates to Sprint, Blue Ridge and RCN. These are substantial, facilities-based carriers who will be offering telephone services in CTCO’s territory in the near future. This will enhance competitive customer choice.

¹⁴ BCAP Exceptions at 9-10.

The Joint Applicants have similarly entered into a unanimous Settlement with all of the remaining parties, amicably resolving all issues. All parties have agreed that the Settlement is in the public interest and requested that the Application be approved by the Commission at its Public Meeting of March 1, 2007. In the event that BCAP is granted standing, the settlement would not occur at the negotiated time and the benefits of the settlement would be lost. Allowing BCAP entry into this proceeding would not only be contrary to law, but it would potentially negate the substantial benefit of the Settlements reached by the Joint Applicants and the parties to this case.

The Administrative Law Judge reached the only appropriate conclusion, properly dismissing BCAP's defective protest. That judgment should be sustained by this Commission.

III. REPLIES TO SPECIFIC EXCEPTIONS

The Commission's rules of Practice and Procedure state that, in order to intervene in a matter, a person must be able to claim "a right to intervene or an interest of such nature that intervention is necessary or appropriate to the administration of the statute under which the proceeding is brought."¹⁵ A right to intervene must be conferred by either federal or state statute, and an interest must be one that "may be directly affected and which is not adequately represented by existing participants [or] another interest of such nature that participation . . . may be in the public interest."¹⁶

This is similar to the concept of standing, which is required in order to protest an application,¹⁷ and under which a protestant must meet three requirements: (a) the party must

¹⁵ 52 Pa. Code § 5.72(a).

¹⁶ *Id.* at § 5.72(a)(1)-(3).

¹⁷ *See Id.* at § 5.52(a)(3) (a protest must "[s]et forth the facts establishing the protestant's standing to protest").

have substantial interest in the subject matter of the litigation; (b) the interest must be direct; and (c) the interest must be immediate and not a remote consequence.¹⁸

A “substantial” interest is an interest in the outcome of the litigation which surpasses the common interest of all citizens in procuring obedience to the law. A “direct” interest requires a showing that the matter complained of caused harm to the party’s interest. An “immediate” interest involves the nature of the causal connection between the action complained of and the injury to the party challenging it and is shown where the interest the party seeks to prevent is within the zone of interests sought to be protected by the statute or the constitutional guarantee in question.¹⁹

Both the immediacy and directness requirements primarily depend upon the causal relationship between the claimed injury and the act in question.²⁰

Consistent with this standard, the Commission has held that “a protestant must have some operating authority in actual, or potential conflict, with the authority sought by an applicant.”²¹ As ALJ Colwell recognized, “[w]ithout either holding or having filed for competing authority, the interest in the case by a party is a generalized interest, not the legally protectable and tangible interest required.”²² Thus, potential parties who are simply seeking to further the interests of competition generally do not possess the necessary substantial, direct and immediate interest necessary to participate in a proceeding.

The Commonwealth Court addressed this very issue in *Pennsylvania Petroleum Association v. Pennsylvania Power and Light Company* (“PPA”).²³ In *PPA*, an association attempted to appeal from a Commission ruling involving PPL’s rates and rate design. The Court disallowed the appeal “conclud[ing] that the predominant interest of PPA in the PUC’s order

¹⁸ *Ken R. Ex. Rel. C.R. v. Arthur Z.*, 682 A.2d 1267 (Pa. 1996).

¹⁹ *Id.* at 1270.

²⁰ *William W. Penn Parking Garage, Inc. v. City of Pittsburgh*, 346 A.2d 269 (Pa. 1979).

²¹ *Application of Carriage Limousine Services, Inc.*, Docket No. A-00108361, F.1, Am-B, Initial Decision at 7-8 (Final Order entered December 23, 1994).

²² Initial Decision at 8.

²³ 377 A.2d 1270 (Pa. Cmwlth. 1977).

here appealed was that of a competitor[.]” because “such parties have standing only where the alleged competition is **prohibited** by a regulatory scheme in which both parties participate.”²⁴

The Pennsylvania Supreme Court subsequently affirmed the Commonwealth Court’s decision holding that “[t]he seller of a competing product cannot force the utility to raise rates that it alleges are detrimental to its competitive position, as protection of such an interest is not an objective of the regulatory scheme.”²⁵ While *PPA* involved rates, it is logical to extend this conclusion to other business decisions of a utility that a competitor alleges are detrimental to competition.

In applying *PPA*, the Commission later stated that when “an interest” “is purely competitive . . . [*PPA*] would be dispositive of the standing question” but would not apply where the interest is “grounded in obtaining access to facilities which are monopolistic in nature and in their practical effect.”²⁶

A. Reply To BCAP Exception No. 1 -- The Initial Decision Correctly Limited Participation to Only Those Entities With an Actual Substantial, Direct and Immediate Interest, as Evidenced by Competing Authority or a Pending Application for Competing Authority

The case law makes it clear that merely possessing a speculative possible interest is not enough to justify party status. BCAP lists several peripheral interests in an attempt to bring itself into this case.

BCAP’s members have affiliates that provide voice service across the state using both jurisdictional and non-jurisdictional means in “potential” competition with the Joint Applicants, or, even further removed, are “interested” in providing non-jurisdictional services across the state

²⁴ *Id.* at 1273.

²⁵ *Pa. Petroleum Assoc. v. Pa. P.U.C.*, 412 A.2d 522, 524 (Pa. 1980).

²⁶ *Pennsylvania Public Utility Commission v. PG&W*, Docket Nos. R-922169, R-922169C0001 (Order Issued October 29, 1992) (“*PG&W*”).

in competition with the Joint Applicants. BCAP's interest is so tangential that it points to the fact that its members are potentially "seeking" to compete with ILECs "such as" the Joint Applicants in non-regulated areas that its members are traditionally dominant (video programming and high speed data service, i.e., Internet access) as a justification for allowing it party status in this proceeding.

In fact, the most direct competitive nexus to the Applicants that BCAP could provide is a "partially-owned subsidiary" of one of its members (Service Electric) that is certificated as a CLEC in one of the Joint Applicants' service territories.

The claim that BCAP may protest because its members have "clearly expressed [their] desire to enter [the Applicants'] rural territory to provide similar jurisdictional and non-jurisdictional services"²⁷ fails. BCAP does not possess a substantial, direct, or immediate interest required to possess standing.

B. Reply to BCAP Exception No. 2 – The Initial Decision Properly Excluded BCAP as BCAP is Attempting to Litigate Subjects not at Issue in This Proceeding

BCAP's Exceptions become side-tracked into a debate about "essential services." This discussion is both misplaced and unnecessary to the resolution of whether BCAP has standing to protest a telephone company horizontal merger. Suggesting that an exception exists to the general rule that a purely competitive interest does not rise to the level necessary to confer standing when the potential competitor is seeking access to monopolistic facilities²⁸ is misplaced for several reasons.

First, the acquisition of CTCO's parent does not propose to change any of the existing rules regarding competitive entry or interconnection. This is unlike *PG&W*, a rate case where

²⁷ BCAP Exceptions at 5.

²⁸ BCAP Exceptions at 9.

the terms of interconnection and terms of transport were directly placed in issue by the tariff changes that the gas company proposed.

Secondly, gas marketers must rely upon the facilities of gas distribution utilities to convey the competitive gas supply they sell. Here, the cable companies have their own facilities and may seek their own certificates to provide telephone service. Interconnection is the exchange of traffic and number porting, not the use of essential connections to end-use customers that are monopolized by state-issued exclusive franchises. The cable companies already have these.

Thirdly, the TCA-96 provides the cable companies with ample rights and, indeed, exclusive remedies. BCAP argues that “ILECs such as” the Applicants interpret the Commission’s decision to not regulate Voice over Internet Protocol (“VoIP”) services as a shield against forced interconnection with these types of services. There is no such instance of which CTCo is aware. CTCo has interconnected with SET. It has contractually committed to finalize interconnection agreements with Sprint and RCN. There is no BCAP member that has requested interconnection that CTCo has ignored or evaded. Even were that the case, however, the BCAP member’s remedy would be to seek arbitration under the TCA-96. BCAP should not be allowed to use this issue to bootstrap itself into an application case when it has other statutory remedies and when it cannot even make a claim that the Applicants have engaged in the alleged behavior. A corporate change of control application proceeding is simply not the place to litigate such speculative issues.

Moreover, the relief sought by BCAP’s Protest is not available. “BCAP submits that any approval of this Joint Application must be conditioned on CTCo and the other Frontier Companies of Pennsylvania foregoing future arguments for special regulatory treatment based

upon their alleged 'rural' status."²⁹ This would mean the relinquishment of CTCo's and the Frontier Companies' due process and other rights as they relate to the TCA-96 and the Public Utility Code. The right to protest was acknowledged by the Commission in a generic proceeding during which the Commission established, among other things, that the procedures to be appropriately used in the CLEC certification process did not violate the federal proscription against "unreasonable barriers" to entry.³⁰ CTCo has never been found by the Commission to have abused these rights and have never, in fact, abused them.

Nor may BCAP demand that CTCo and/or the Frontier Companies concede their rural telephone company status conferred by the TCA-96 and, at numerous times, acknowledged by the Commission. Congress established specific procedures for removal of the rural exemption, which does not include granting it as a prize to be derived from the extortive impact of protesting a parent-level change of control application.³¹ None of these procedures have been followed by BCAP, nor is BCAP the appropriate party to seek dissolution of the exemption.³² Fundamentally, this is not the right place to contest provisions of the TCA-96.

C. Reply to BCAP Exception No. 3 -- BCAP's Intervention is Not in the Public Interest

BCAP no more satisfies the public interest standard for granting intervention than it does the direct interest standard. BCAP again attempts to use TCA-96 and Chapter 30 entry safeguards to claim protection of competition, this time asserting that it is the best entity to

²⁹ BCAP Protest and Petition at ¶ 9.

³⁰ *Implementation of the Telecommunications Act of 1996*, Docket No. M-00960799, Tentative Decision at 9.

³¹ 47 U.S.C. § 251(f)(1).

³² Parenthetically, under a ruling of the 8th Circuit, the CLECs have the burden of proof in such a proceeding, not the rural local exchange company. *Iowa Utilities Bd. v. FCC*, 219 F.3d 744, 762 (8th Cir. 2000), Section 251(a) and (b) "requires the party making the request [to terminate the rural exemption] to prove that the request meets the three prerequisites to justify the termination of the otherwise continuing rural exemption."

preserve the public interest of competition established by those statutes. BCAP's reliance on those statutes is both misplaced and a "red herring," as has been described previously.

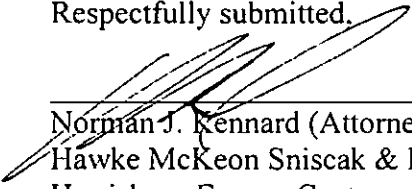
The protests of the two cable companies and a third filed by a cable wholesale service provider have been settled. On January 9, 2007, Sprint Communications Company, L.P. moved for leave to withdraw its Petition to Intervene and gave notice of the withdrawal of its protest. On January 12, 2007, Blue Ridge Digital Phone Company submitted a Petition for Leave to Withdraw its Intervention and gave notice of the withdrawal of its protest. RCN Telecom Services, Inc. similarly submitted a Petition for Leave to Withdraw its Intervention and gave notice of the withdrawal of its protest on January 17, 2007.

The Joint Applicants have entered into a global settlement with all parties, including the statutory advocates, which are directly charged with protecting the public interest. Approval of this settlement is in the public interest for the reasons set forth in the statements in support submitted to the Commission with the settlement. The settlement terms will be negated, however, if the Commission overturns the Administrative Law Judge and grants BCAP's Exceptions.

IV. CONCLUSION


WHEREFORE, for the reasons set forth above, the Joint Applicants respectfully request that the Exceptions filed by the Broadband Cable Association of Pennsylvania be denied in their entirety.

Respectfully submitted,



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Counsel for Citizens Communications Company

DATED: January 22, 2007

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the foregoing document upon the participants, listed below, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by participant).

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Norman C. Kennard

Dated this 22nd day of January, 2007

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January 22, 2007

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Docket Nos. A-310800F0010;
A-311095F0005, and A-311225F0003

Dear Secretary McNulty:

Enclosed please find for filing an original and three (3) copies of the Office of Consumer Advocate's Statement in Support of Settlement in the above-captioned proceeding.

Copies have been served upon all parties of record as shown on the attached Certificate of Service.

Sincerely,

Shaun A. Sparks
Assistant Consumer Advocate
PA Attorney I.D. # 87372

Enclosures

cc: Hon. Susan D. Colwell, ALJ
All parties of record *91305

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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In re Joint Application of Commonwealth Telephone Company, CTSI, LLC, and CTE Telecom, LLC d/b/a Commonwealth Long Distance Company For All Approvals Under The Public Utility Code for the Acquisition By Citizens Communications Company of All of the Stock of the Joint Applicants' Corporate Parent, Commonwealth Telephone Enterprises, Inc.

A-310800F0010
A-311095F0005
A-311225F0003

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OFFICE OF CONSUMER ADVOCATE
STATEMENT IN SUPPORT OF SETTLEMENT

The Office of Consumer Advocate ("OCA"), one of the signatories to the Joint Petition For Approval Of Unanimous Settlement Agreement ("Settlement") in the above-referenced matter, recommends that the Commission find the Settlement to be in the public interest and approve the Settlement for the following reasons.

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I. INTRODUCTION AND BACKGROUND

The Joint Applicants are a large Pennsylvania incumbent local exchange carrier (LEC) and its affiliated CLEC and long distance carrier and Citizens Communications Company (Citizens) which operates five local exchange companies in Pennsylvania through its Frontier affiliate. Given the number of Pennsylvania utility consumers that would be affected by this acquisition, the OCA participated here seeking to ensure that Citizens, the acquiring company, is able to meet the needs of Commonwealth's Pennsylvania customers, and to provide substantial affirmative benefit in support of the proposed transaction.

On September 29, 2006, Commonwealth Telephone Company (CTCo), CTSI and Commonwealth Long Distance (CLD) filed the above-referenced Application (Joint Application) requesting the issuance of a certificate of public convenience pursuant to a September 17, 2006 Agreement and Plan of Merger ("Merger Agreement") proposing that Citizens acquire the stock of Commonwealth Telephone Enterprises, Inc. (CTE) and, indirectly, the stock of the Joint Applicants. Under this proposal, the Joint Applicants' corporate parent, CTE, would become a wholly-owned, direct subsidiary of Citizens.

Commission approval of this type of transaction is required under Commission regulations and Pennsylvania law. The Commission has issued a Policy Statement applying the certification requirements of 66 Pa. C.S. §1102(a)(3) where a stock transaction or series of stock transactions results in a change of control of a public utility regardless of ownership tier. 66 Pa. C.S. §1102.

On October 14, 2006, the Commission published notice of the Joint Application in the *Pennsylvania Bulletin* which required protests and petitions to intervene to be filed on or before October 30, 2006. 36 Pa. B. 6355.

On October 30, 2006, the OCA and the Office of Small Business Advocate ("OSBA") filed protests. On November 2, 2006, the Office of Trial Staff ("OTS") filed an Entry of Appearance. The Communications Workers of America ("CWA"), Blue Ridge Digital Phone Company ("Blue Ridge"), Sprint Communications Company LP ("Sprint"), the Broadband Cable Association of Pennsylvania ("BCAP") and RCN Corporation and RCN Telecom Services, Inc. ("RCN") filed protests and/or interventions to the Joint Application. Citizens also filed a Petition to Intervene on October 30, 2006.

On November 10, 2006, the Joint Applicants and Citizens distributed the Direct Testimonies of Scott Burnside, Senior Vice President of Regulatory Affairs for Commonwealth Telephone Enterprises, Inc.; and Daniel McCarthy, Executive Vice President and Chief Operating Officer of Citizens Communications Company to the parties.

On November 10, 2006, the Joint Applicants and Citizens filed Joint Answers and Preliminary Objections addressed to the Protests and Petitions to Intervene of Blue Ridge Digital Phone Company, Sprint Communications Company L.P., the Broadband Cable Association of Pennsylvania, RCN Corporation, and RCN Telecom Services, Inc (“CLECs”). Also on that date, the Joint Applicants filed a Joint Answer and Preliminary Objections to the Protest of the CWA.

On November 13, 2006, Administrative Law Judge (ALJ) Susan D. Colwell issued a Prehearing Conference Order. On November 30, 2006, ALJ Colwell issued a Scheduling Order setting the dates for the submission of testimony, the holding of hearings, and the submittal of briefs.

On November 20, 2006, Answers to the Joint Applicant’s Preliminary Objections were filed by the CLECs. CWA also filed its Answer on November 20, 2006. On November 20, 2006, the Joint Applicants submitted a letter stating that they did not oppose the participation of the OCA, OSBA and OTS.

On December 14, 2006, ALJ Colwell issued an Initial Decision, along with accompanying Orders disposing of the Joint Applicants’ Preliminary Objections. The Initial Decision and Orders dismissed the protests of RCN Corporation and the Broadband Cable Association, but denied the Preliminary Objections as they related to the CWA and the remaining CLECs, Sprint, RCN and Blue Ridge.

On December 21, 2006 the Joint Applicants and Citizens filed a Motion for a Protective Order, to which RCN Telecom Services, Inc. filed an Answer on December 22, 2006. The Joint Applicants filed a response the RCN Telecom Services, Inc.'s Answer on December 29, 2006.

On January 9, 2007, Sprint Communications Company, L.P. moved for leave to withdraw its Petition to Intervene and gave notice of the withdrawal of its protest. On January 12, 2007, Blue Ridge Digital Phone Company submitted a Petition for Leave to Withdraw its Intervention and gave notice of the withdrawal of its protest. RCN Telecom Services, Inc. similarly submitted a Petition for Leave to Withdraw its Intervention and gave notice of the withdrawal of its protest on January 17, 2007.

On January 19, 2007, the Parties submitted a unanimous settlement for approval by ALJ Colwell and the Commission.

II. TERMS AND CONDITIONS OF SETTLEMENT AGREEMENT

In its Protest, the OCA discussed how it sought to ensure that the proposed transaction would provide substantial affirmative benefit to Pennsylvania consumers as required by law – specifically, sections 1102 and 1103 of the Public Utility Code, section 69.901 of the Commission's regulations, 52 Pa. Code § 69.901, and other applicable precedent. That is, to obtain a certificate of public convenience in an acquisition or merger proceeding, applicants have the burden of proving by a preponderance of the evidence that a transfer of control is in the public interest. The Courts of Pennsylvania have held that applicants seeking approval under these provisions of the Code must demonstrate by a preponderance of the evidence that the transaction will affirmatively promote the service, accommodation, convenience or safety of the public in some substantial way. See City of York v. Pa. Pub. Util. Comm'n, 449 Pa. 136, 295 A.2d 825 (1972); Middletown Twp. v. Pa. PUC,

482 A.2d 674, 682 (Commw. Ct. 1984). *See also*, Re: DQE, Inc., 88 Pa. PUC 467, 474 (1998); Newtown Artesian Water Company, 76 Pa. PUC 260, 262 (1992). To ensure that applications such as this are in the “public interest,” the Commission may impose conditions on its granting of the certificate of public convenience. Re: DQE, Inc., 88 Pa. PUC at 474.

Specifically, the OCA Protest raised the following issues regarding how the proposed transaction may affect the interest of affected consumers. The OCA will discuss in detail how the Settlement addresses each of these concerns.

1. Rate Reductions

The OCA Protest raised issues regarding whether the proposed transaction would benefit affected consumers in terms of rate reductions. The OCA protest noted:

- Commonwealth fails to discuss how any part of the anticipated synergy savings will flow through to Commonwealth’s or Citizens’ Frontier customers in the form of lower rates or rate consolidations in adjoining service areas

OCA Protest at 7. This aspect of the proposed transaction was a major concern for the OCA.

The Settlement addresses this concern as follows:

Rate Caps/Freezes – The exercise by CTCO and Citizens Communications Company’s five Pennsylvania-located Frontier ILECs (CCC) of their price cap formula is restricted during the next three years (2007 (the current year), and the 2008 and 2009 filings following) as follows:

- i. 2007 – Increase in monthly charge for residential primary limited to \$.90 and for B-1 to \$.50.
- ii. 2008 – Increase in monthly charge for residential primary limited to \$.50 and for B-1 to \$.25.
- iii. 2009 – No increases in residential primary or B-1 rates.

In no event, however, will R-1 rates for CTCO or any CCC company exceed \$18.00 during these periods. CTCO and CCC may request increases in non-access line rates. CTCO and CCC shall not be permitted to bank any rate increases which they forego in years 2007, 2008 and 2009. Notwithstanding any of the foregoing, CTCO and CCC may increase residential and business basic, unbundled local dial

tone rates beyond these limitations as a result of generic federal and state required changes to access charges and/or universal service funding or an exogenous event as defined in CTCO's and CCC's Chapter 30 Plan.

Settlement at ¶ 13.a. The OCA points out that the Citizens companies affected by the proposed transaction are the Frontier Communications Companies of Breezewood, Canton, Lakewood, Oswayo River, and Pennsylvania. This is a significant benefit to all affected residential and business consumers. These provisions provide for sharply lower rate increases from those otherwise permitted over the next three years under the Joint Applicants' existing Chapter 30 plans. While this provision does allow for some limited exceptions, the OCA submits that a \$1.40 rate increase limitation over three years represents an affirmative benefit to the residential consumers affected by the proposed transaction. Moreover, the Settlement reinforces the overriding \$18.00 residential rate cap, so that for companies approaching the \$18.00 cap the maximum increase of \$1.40 will be further reduced.

2. Network Modernization

The OCA Protest raised issues concerning network modernization:

- While Commonwealth discusses enhanced access to advanced services at page 11 of the Joint Application, Commonwealth makes no commitment to provide such services beyond that contained in its existing Chapter 30 Plan, or provide information on how the new company will meet its Chapter 30 obligations.

OCA Protest at 7. The Settlement addresses this concern as follows:

Bandwidth Availability - CTCO agrees to provide bandwidth availability equal to or greater than 3 megabits per second in the downstream direction to a total of at least 88,000 lines within three years of closing of the Transaction.

Settlement at ¶ 13.c. This represents a rough doubling of the present number lines to which this high-speed service of this type will be available, and extends well beyond CTCO Chapter 30 plan obligations. The OCA submits that this represents an affirmative benefit to the consumers that may be affected by the proposed transaction.

3. Corporate Finance

The OCA protest also raised the following issues regarding the Joint Applicants' proposed capital structure and financial plans:

- Joint Applicants' proposed capital structure and financial plans are not clearly discussed or explained in the filing
- OCA understands that Citizens may assume a substantial amount of debt (up to 990 million dollars) to finance the proposed stock acquisition, and the treatment of this debt is not clearly discussed or explained in the filing
- It is unclear how the proposed transaction may impact Commonwealth's and/or Citizens' credit ratings
- Dividends and other financial arrangements between Commonwealth and its new parent are unclear
- It is further unclear whether Commonwealth will secure the new debt of its parent, and how this may affect the security of the assets of the operating company

OCA Protest at 7. The Settlement addresses these concerns as follows:

Debt and Transaction Costs. The Joint Applicants will not seek to recover in rates any costs of the Transaction, including any associated increase in debt costs. In addition, the Joint Applicants agree not to seek recovery of any costs resulting from implementing the stipulations set forth above. After closing and for a period of three (3) years following closing of the Transaction, CTC Co shall not:

- i. Guarantee the debt or credit instruments of Citizens Communications Company or any affiliate not regulated by the Commission; or
- ii. Grant a mortgage or other lien or otherwise pledge as security for repayment of the principal or interest of any loan or credit instrument of Citizens Communications Company or any affiliate not regulated by the Commission any property used and useful in providing utility service to the public subject to the Commission's jurisdiction.

Settlement at ¶ 13.g. The OCA submits that these provisions provide protections against negative consumer impacts of financial changes at the parent company level. These conditions

do this by working to isolate the local operating company from cost, financing, and credit changes that may impact the parent company as a result of the proposed transaction. The OCA submits that this represents an affirmative benefit to the consumers that may be affected by the proposed transaction.

4. Employment

The OCA protest also raised the following issues regarding how the proposed transaction may impact employment at the newly acquired company.

- OCA understands that Citizens seeks to achieve approximately \$20 million in wage synergy savings from the Commonwealth companies. Commonwealth fails to discuss this aspect of the proposed transaction and fails to discuss how this may affect employment levels and the pensions of its Pennsylvania employees, as well as the employment levels and pensions of employees of the Pennsylvania Frontier Companies

OCA Protest at 7. The Settlement addresses these concerns as follows:

Employment - CTCO and CCC will continue to employ the appropriate level of resources, including workforce, employee benefits, network and investment, necessary to achieve the continuation of quality service to their existing and prospective Pennsylvania customers while remaining competitive. CTCO shall maintain the level of CWA-represented positions through the end of the current contract period (ending 11/30/08) at a minimum of 95% of the current level except for bona fide attrition. As part of this job level guarantee, the CTCO call center shall remain open during this period. All terms of existing bargaining agreements will be honored.

Settlement at ¶ 13.e. The OCA submits that these provisions work to provide a broad range of employee protections, particularly in regard to maintaining and developing the telephone network in the affected service territories. These provisions also work to assure customers affected by the proposed transaction that Citizens will attract and deploy a level of human resources commensurate with its obligation to provide safe and adequate service to all its Pennsylvania customers. The OCA submits that this represents an affirmative benefit to the consumers that may be affected by the proposed transaction.

5. Service Quality

The OCA protest raised issues regarding how the proposed transaction may impact the high quality of service currently provided by CTCo. The OCA Protest provides:

- It is further unclear whether Commonwealth will maintain its present level of service quality, and adequately fund its operations, or have the resources available to improve its service quality.

OCA Protest at 8. . The Settlement addresses these concerns as follows:

Service Quality Reporting - CTCo and CCC will provide the following reports to the OCA, OSBA and OTS for calendar years 2006, 2007, and 2008. The OCA, OSBA and OTS agree that any information provided pursuant to this Paragraph will be treated in a confidential manner and agree not to use or release such information for any purpose. Nonetheless, if the OCA, OSBA or OTS believe that CTCo or CCC service quality has declined such that it is necessary to bring this data to the attention of the Commission, such party may file such data under protective restrictions and may seek to have it publicly disclosed pursuant to 52 Pa. Code §5.423. A party seeking to notify the Commission will attempt to resolve any service concerns with CTCo or CCC prior to taking any action at the Commission pursuant to this Paragraph.

1. Annually -- CTCo and CCC will report the service metrics stipulated below in the month of June following the calendar year reporting period.
 - i. Trouble report rate (measured per 100 access lines);
 - ii. Number of missed appointments;
 - iii. Average interval (number of days) between a request for new basic service and installation. Metrics will be based on 52 Pa. Code § 63.58 rules regarding installation of service. CTCo and CCC will provide an annual average interval of days for installation of residential and single line business service and an annual average interval of days for installation of non-primary service orders.
 - iv. Copies of the annual reports filed with the Commission's Bureau of Consumer services.
2. As Required -- CTCo and CCC agree to advise the OCA and OSBA if either the CTCo or CCC service repair outage index falls below 80% restored/repared within 24 hours for reasons not attributable to customer requests for a later time: (a) in any month across either the CTCo and CCC systems; and (b) for three consecutive months in any one CTCo district or CCC exchange. In the event of a notification under this section, CTCo and CCC commit to meeting with the OCA and OSBA to discuss and address possible remedies or actions to be taken.

Settlement at ¶ 13.f. The OCA submits that these provisions work to provide a broad range of quality of service protections, particularly regarding CTCo's traditional level of network service. These provisions are a proactive solution to the OCA's quality of service concerns and assure that the public advocates and Citizens will work together to address any quality of service issues that may arise. The OCA submits that this represents an affirmative benefit to the consumers that may be affected by the proposed transaction.

6. Lifeline

While the OCA protest did not expressly raise issues related to lifeline service, the OCA did pursue lifeline issues in its participation in this proceeding. The OCA is concerned that all qualified Pennsylvania telephone consumers, or those likely to be qualified consumers of regulated telecommunications services have access to lifeline programs. In an effort to provide substantial affirmative benefits to Pennsylvania consumers, CTCo and Citizens offered to promote lifeline services via the following consumer outreach program. The Settlement provides:

Lifeline – CTCo and CCC will produce and distribute at their expense a Lifeline brochure explaining Lifeline and explaining how to apply for lifeline by telephone. The companies will provide these brochures to:

- i. Counties - County assistance offices and County agencies in their territories. The Companies will agree to provide those offices with sufficient brochures for a three year period following closing of the Transaction.
- ii. Local Assistance Agencies and Organizations, whether government affiliated or not, such as United Way and Meals on Wheels. Within 30 days of Commission approval of the Joint Application, the OCA, OSBA, OTS CTCo and Citizens will work to develop a list of local assistance agencies and organizations that should be supplied with these materials for the three year period following closing of the Transaction.

Settlement at 13.d. This provision provides the public advocates and the Joint Applicants with the opportunity to pursue an aggressive lifeline outreach program in the CTCo and Citizens service territories. The OCA submits that this represents an affirmative benefit to the consumers that may be affected by the proposed transaction.

7. Stand Alone DSL

Other than network modernization issues, the OCA protest did not expressly raise issues related to high-speed internet service provisioning. However, the OCA pursued this issue in its participation in this proceeding. The OCA supports access to high-speed internet services in an unbundled fashion, i.e., without the need to purchase other services in conjunction with high-speed internet service. To address these concerns, CTCo and Citizens offer the following terms and conditions:

DSL - CTCo and CCC agree to provide stand-alone high speed internet service (DSL and ISP service) to their customers for a period of two years from the date of Commission approval of the Joint Application. Nothing in this Agreement shall restrict or limit CTCo's and CCC's pricing flexibility on DSL and DSL-related services

Settlement at ¶ 13.b. The provision of stand-alone DSL service provides important access to competitive telecommunications services and to high-speed internet services. The OCA submits that this represents an affirmative benefit to the consumers that may be affected by the proposed transaction. The provision of stand-alone DSL service provides important access to competitive telecommunications services and to high-speed information services.

III. SUBSTANTIAL AFFIRMATIVE PUBLIC BENEFIT

The OCA submits that when viewed as a whole, the Joint Application, as modified by the terms and conditions of the Settlement, not only addresses all the issues raised by the OCA, but

also provides for substantial affirmative public benefit in this matter. Therefore, the OCA submits that with the approval of the Settlement, the proposed transaction is in the public interest. For these reasons, the OCA submits that the Commission should find the Settlement to be in the public interest and to approve the Settlement without modification.

III. CONCLUSION

As a whole, the commitments contained in the Settlement provide substantial affirmative public benefit. The OCA submits that the Commission should find the Settlement to be in the public interest and should approve the Settlement without modification. For the foregoing reasons, the OCA respectfully requests that the Commission approve the Joint Application, as modified by the terms and conditions of the Joint Petition For Approval Of Unanimous Settlement Agreement, as being in the public interest.

Respectfully submitted,



Philip F. McClelland
Senior Assistant Consumer Advocate
Joel H. Cheskis
Shaun A. Sparks
Assistant Consumer Advocates

Counsel for:
Irwin A. Popowsky
Consumer Advocate

Office of Consumer Advocate
555 Walnut Street
5th Floor
Harrisburg, PA 17120
(717) 783-5048

Dated: January 19, 2007
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CERTIFICATE OF SERVICE

Re: Joint Application of Commonwealth Telephone Company CTSI, LLC and CTE Telecom, LLC d/b/a Commonwealth Long Distance Company for All Approvals Under the Public Utility Code for the Acquisition By Citizens Communications Company of All of the Stock of the Joint Applicants' Corporate Parent, Commonwealth Telephone Enterprises, Inc. Docket Nos. A-310800F0010; A-311095F0005, and A-311225F0003

I hereby certify that I have this day served a true copy of the foregoing document, The Office of Consumer Advocate's Statement in Support of Settlement, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 22nd day of January, 2007.

SERVICE BY E-MAIL & INTER-OFFICE MAIL

Robert V. Eckenrod, Esq.
Office of Trial Staff
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

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Norman J. Kennard, Esq. *
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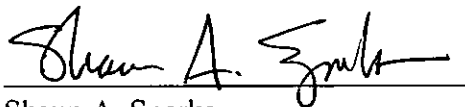
Hilary Glassman, Esq.
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3 High Ridge Park
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*91234

*** Parties receiving Confidential material**

COMMONWEALTH OF PENNSYLVANIA
Public Utility Commission
January 22, 2007

SUBJECT: A-310800F0010, et al. – Joint Application of Commonwealth Telephone Co., CTSI, LLC, and CTE Telecom, LLC d/b/a Commonwealth Long Distance Company

TO: James J. McNulty
Secretary

FROM: Cheryl Walker Davis, Director
Office of Special Assistants

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Pursuant to the requirements of Act 294, (66 Pa. C.S. §332(h)), Chairman Holland, Vice Chairman Cawley, and Commissioner Pizzingrilli have requested full review of the Administrative Law Judge's Initial Decision in the above captioned proceeding. The third request for review was dated January 19, 2007.

Please notify the Office of Administrative Law Judge to prepare the case for consideration at a future Public Meeting.

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Hawke
 Mckeon
 Sniscak &
 Kennard LLP
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January 22, 2007

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VIA HAND DELIVERY

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
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Harrisburg, PA 17105-3265

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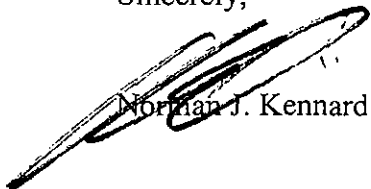
RE: Joint Application of Commonwealth Telephone Company CTSI, LLC and CTE Telecom, LLC d/b/a Commonwealth Long Distance Company For All Approvals Under The Public Utility Code for the Acquisition By Citizens Communications Company of All of the Stock of the Joint Applicants' Corporate Parent, Commonwealth Telephone Enterprises, Inc., Docket Nos. A-310800F0010, A-311095F0005 and A-311225F0003; **MOTION OF JOINT APPLICANTS AND CITIZENS COMMUNICATIONS COMPANY TO ADMIT EVIDENCE**

Dear Secretary McNulty:

Enclosed for filing please find the original Affidavit of Scott Burnside, which accompanies the Motion of Joint Applicants and Citizens Communications Company to Admit Evidence filed in this matter on January 19, 2007.

Thank you for your attention. If you have any questions, please do not hesitate to contact me at (717) 236-1300.

Sincerely,


Norman J. Kennard

NJK/bks
Enclosure
cc: Honorable Susan D. Colwell (with enclosure)

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MAILING ADDRESS: P.O. BOX 1778 HARRISBURG, PA 17105

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

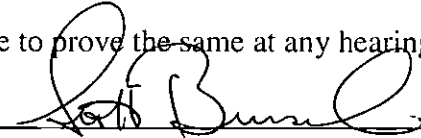
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| Commonwealth Telephone Company | : | A-310800F0010 |
| CTSI, LLC, and | : | A-311095F0005 |
| CTE Telecom, LLC d/b/a Commonwealth | : | A-311225F0003 |
| Long Distance Company | : | |
| | : | |
| For All Approvals Under The Public Utility | : | |
| Code for the Acquisition By Citizens | : | |
| Communications Company of All of the Stock | : | |
| of the Joint Applicants' Corporate Parent, | : | |
| Commonwealth Telephone Enterprises, Inc. | : | |

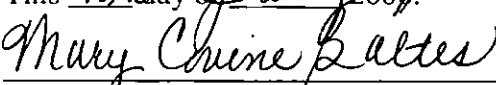
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AFFIDAVIT OF SCOTT BURNSIDE

I, Scott Burnside, being duly sworn according to law, depose and say that I am employed as Senior Vice President, Regulatory and Government Relations for Commonwealth Telephone Enterprises, having qualifications as set forth in Joint Applicants' Statement 1.0 and being authorized to make this affidavit on behalf of Commonwealth Telephone Company, CTSI, LLC and CTE Telecom, LLC d/b/a Commonwealth Long Distance Company ("Joint Applicants") and that the facts set forth in Joint Applicants' Application, marked as Joint Applicants' Exhibit No. 1, and in Joint Applicants' Statement 1.0 are true and correct to the best of my knowledge, information, and belief and I expect to be able to prove the same at any hearing hereof.



Scott Burnside

Sworn and subscribed before me
This 18 day of January, 2007.


Signature of official administering oath
My Commission expires:

COMMONWEALTH OF PENNSYLVANIA
Notarial Seal
Mary Covine Baltes, Notary Public
Dallas Twp., Luzerne County
My Commission Expires Mar. 29, 2008
Member, Pennsylvania Association Of Notaries

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the foregoing document upon the participants, listed below, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by participant).

Via Electronic Mail and First Class Mail

Shaun A. Sparks
Joel Cheskis
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Johnnie E. Simms
Robert V. Eckenrod
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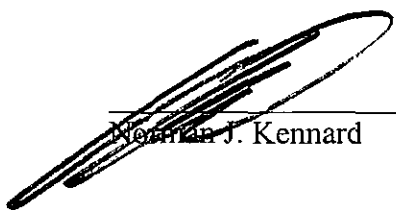
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Jennifer A. Duane
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Newman J. Kennard

Dated this 22nd day of January, 2007.

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COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 5265, HARRISBURG, PA 17105-3265

IN REPLY PLEASE
REFER TO OUR FILE

January 23, 2007

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Honorable Susan D. Colwell
Office of Administrative Law Judge
Pennsylvania Public Utility Commission
400 North Street
2 West Keystone
Harrisburg, PA 17120

Re: Joint Application of Commonwealth Telephone Company, CTSI, LLC and
CTE Telecom, LLC d/b/a Commonwealth Long Distance Company For All
Approvals Under the Public Utility Code for the Acquisition By Citizens
Communications of All of The Stock of The Joint Applicant's Corporate
Parent Commonwealth Telephone Enterprises, Inc.

Docket No. A-310800F0010 et al.

Dear Judge Colwell:

Enclosed for filing please find an original and three (3) copies of the **Statement in Support** of the Office of Trial Staff (OTS) in the above-captioned proceeding.

Copies are being served on all active parties of record.

Sincerely,

Robert V. Eckenrod
Prosecutor
Office of Trial Staff
PA Attorney I.D. #84889

Enclosure

c: Parties of Record

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Joint Application of Commonwealth Telephone :
Company, CTSI, LLC and CTE Telecom, LLC d/b/a :
Commonwealth Long Distance Company For All : A-310800F0010
Approvals Under the Public Utility Code for the : A-311095F0005
Acquisition By Citizens Communications of All of : A-311225F0003
The Stock of the Joint Applicants' Corporate Parent :
Commonwealth Telephone Enterprises, Inc. :

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OFFICE OF TRIAL STAFF
STATEMENT IN SUPPORT OF
JOIN PETITION FOR SETTLEMENT

ORIGINAL

**TO THE HONORABLE SUSAN D. COLWELL, ADMINISTRATIVE LAW
JUDGE:**

The Office of Trial Staff ("OTS") of the Pennsylvania Public Utility Commission ("Commission"), by and through its Prosecutor, Robert V. Eckenrod, hereby respectfully submits that the terms and conditions of the foregoing Joint Petition for Approval of Unanimous Settlement Agreement ("Settlement") is in the public interest and represents a fair, just, reasonable and equitable balance of the interests of Commonwealth Telephone Company ("CTCo"), CTSI, LLS ("CTSI"), CTE Telecom, LLC d/b/a Commonwealth Long Distance Company ("CLD")(hereinafter collectively referred to as the "Applicants" or "Companies") and its customers. The parties to this Settlement ("Joint Petitioners") conducted extensive discovery and negotiation and as a result, OTS, the Office of Consumer Advocate ("OCA"), the Office of Small Business Advocate ("OSBA"), the Communications Workers of American ("CWA") and the Companies have agreed upon the terms embodied in the foregoing Joint Petition. This request is based upon OTS'

conclusion that the Settlement is in the public interest as supported by the following factors:

I. BACKGROUND

1. OTS was established under the provisions of Section 306 of the Public Utility Code, 66 Pa. C.S. § 306, in 1986 and charged with the representation of the public interest in proceedings relating to rates and rate-related services held before the Commission. As a result, in negotiated settlement of positions, it is incumbent upon the OTS to ensure that the public interest is served and to quantify to what extent amicable resolution of any such proceeding will benefit the public interest.

2. On September 29, 2006, the Applicants filed a Joint Application requesting the issuance of a Certificate of Public Convenience pursuant to a September 17, 2006 Agreement and Plan of Merger (“Merger Agreement”) proposing that Citizens Communication Company (“Citizens”) acquire the stock of CTE and, indirectly, the stock of the Applicants. According to the proposal, the Applicants’ corporate parent, CTE, would become a wholly-owned subsidiary of Citizens.

3. Notice of the Joint Application was published in the *Pennsylvania Bulletin* on October 14, 2006.

4. On November 2, 2006, OTS filed a Notice of Appearance.

5. The on-the-record proceeding was assigned to Administrative Law Judge Susan D. Colwell (“ALJ”) and a prehearing conference was convened on November 29, 2006.

6. Commission Rules and Regulations encourage settlement of proceedings and, consequently, the parties convened frequent conferences and discussion over the course of this proceeding. These discussions ultimately resulted in a comprehensive stipulation of all issues in controversy and an agreement in principle was reached on January 19, 2007.

II. SETTLEMENT TERMS AND PUBLIC INTEREST STATEMENT

7. The specific terms of the settlement are found at Paragraphs 11 through 13(g) of the Settlement. Consequently, the Settlement, as proposed, is in the public interest and should be approved by the ALJ and the Commission for the following reasons:

a. The proposed Settlement restricts the exercise by CTCo and Citizen's five Pennsylvania-located Frontier ILECs (CCC) of their price cap formula during the next three years, 2007 through 2009, inclusive, as follows:

- i. 2007 – Increase in monthly charge for residential primary limited to \$.90 and for B-1 to \$.50.
- ii. 2008 – Increase in monthly charge for residential primary limited to \$.50 and for B-1 to \$.25.
- ii. 2009 – No increase in residential primary or B-1 Rates.

As additional terms, R-1 rates will still be subject to an \$18.00 cap during these periods and CTCo and CCC shall not be permitted to bank any rate increases which they forego in years 2007, 2008 and 2009. These rate restrictions offer a significant benefit to all affected residential and business customers within the Applicant's respective service

territory and provides those customers with a level of rate savings that otherwise might not have been obtainable had this proceeding been fully litigated.

b. CTCo and CCC agree to provide stand-alone¹ high speed internet service (DSL and ISP service) to their customer for a period of two years from the date of Commission approval of the Joint Application. Moreover, the Settlement provides that CTCo agrees to provide bandwidth availability equal to or greater than 3 megabits per second in the downstream direction to a total of at least 88,000 lines with three years of the closing of this Transaction. These network modernization issues represent roughly a doubling of the present number of lines to within the service territory to which the type of high speed service is available and represents a commitment of the Companies above and beyond current Chapter 30 obligations. In addition, offering stand alone high speed internet will provide important access to competitive telecommunication and high-speed internet services to the Applicant's customers that otherwise might not have been obtainable had this proceeding been fully litigated.

c. Also, significantly, the Applicants agreed that they will not seek to recover in rates any costs of the Transaction, including any associated increase in debt costs. Additionally, the Applicants agree not to seek recovery of any costs resulting from implementing the stipulations of the Settlement. After closing of the Transaction, and for a three year period following such closing, CTCo shall not guarantee the debt or credit instruments of CCC or any affiliate not regulated by the Commission, or grant a

¹ "Stand-alone high speed internet service," defined in the terms of the settlement as "...a service sold on a CTCo or CCC line without any requirement that such customer need purchase any other service."

mortgage or other lien or otherwise pledge as security for the repayment of principal and interest of any loan or credit instrument of CCC or any affiliate not regulated by the Commission any property used and useful in providing utility service to the public subject to the Commission's jurisdiction. In transactions of late, OTS has been concerned with the ability of the resultant entities to pass along negative impacts of financial changes at the parent company level to Pennsylvania ratepayers. These conditions are set forth to isolate the local operating company from cost, financing and credit changes that may impact the parent company, thereby protecting consumers from any negative financial impacts of the proposed transaction.

d. Finally, with respect to employment levels, OTS submits that the Settlement provides that CTCo and CCC will continue to employ the appropriate level of resources, including workforce, employee benefits, network and investment necessary to achieve the continuation of quality service to their existing and prospective customers. Additionally, CTCo shall maintain the level of CWA-represented positions through the end of the current contract period (ending 11/30/08) at a minimum of 95% of the current level except for bona fide attrition. OTS submits that these provisions ensure that Pennsylvania employees and customers are ensured adequate employee protections and an on-going level of safe and adequate service to the public.

8. In addition to the foregoing reasons, based upon OTS' analysis of the filing and the present proposal, acceptance of this proposed settlement is in the public interest because resolution of this case by settlement rather than litigation will avoid substantial time and expense involved in continuing to formally pursue all issues in this proceeding.

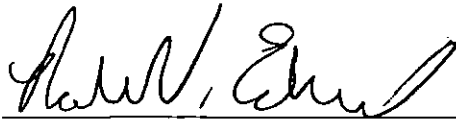
9. OTS further submits that acceptance of the foregoing settlement will negate the need for any direct and cross-examination of witnesses, the preparation of main briefs, reply briefs, exceptions and reply exceptions and the filing of possible appeals. The avoidance of any further expense by settlement of this proceeding serves the interests of the Company, OTS and the customers.

10. OTS' agreement to settle this case is made without any admission or prejudice to any position that OTS might adopt during subsequent litigation in the event the Settlement is rejected by the Commission or otherwise properly withdrawn by any of the Joint Petitioners.

11. If the ALJ recommends that the Commission adopt the Settlement as proposed, OTS has agreed to waive the filing of Exceptions. However, OTS has not waived its rights to file Exceptions with respect to any modifications to the terms and conditions of the Settlement, or any additional matters, that may be proposed by the ALJ in his Recommended Decision. OTS has also reserved the right to file Reply Exceptions to any Exceptions that may be filed by the Company or any formal complainant.

WHEREFORE, the Commission's Office of Trial Staff represents that it supports the Settlement as being in the public interest and respectfully requests that the Administrative Law Judge and the Commission approve the foregoing Settlement, including all terms and conditions contained therein.

Respectfully submitted,



Robert V. Eckenrod
Prosecutor
PA Attorney ID #84889
Office of Trial Staff

Pennsylvania Public Utility Commission
Post Office Box 3265
Harrisburg, Pennsylvania 17105-3265
(717) 787-1976

Dated: January 22, 2007
Docket No.: A-310800F0010

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Joint Application of Commonwealth :
Telephone Company CTSI, LLC and :
CTE Telecom, LLC d/b/a :
Commonwealth Long Distance Company : Docket Nos. A-310800F0010,
for All Approvals Under the Public : A-311095F005 and
Utility Code for the Acquisition By : A-311225F0003
Citizens Communications Company of :
All of the Stock of the Joint Applicants' :
Corporate Parent, Commonwealth :
Telephone Enterprises, Inc. :

CERTIFICATE OF SERVICE

I hereby certify that I am serving the foregoing **Statement in Support**,
dated January 22, 2007, either personally, by first class mail, electronic mail, express
mail and/or by fax upon the persons listed below:

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Robert V. Eckenrod
Prosecutor
Office of Trial Staff
PA Attorney I.D. #84889

Dated: January 22, 2007
Docket No. A-3100800F0010, et al.



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
Office of Administrative Law Judge
P.O. BOX 3265, HARRISBURG, PA 17105-3265
January 24, 2007

IN REPLY PLEASE
REFER TO OUR FILE

In Re: A-310800F0010
A-311095F0005
A-311225F0003

(SEE LETTER DATED 11/8/06)

Joint Application of Commonwealth Telephone Company, CTSI, LLC
And CTE Telecom, LLC d/b/a Commonwealth Long Distance Company,
For All Approvals Under The Public Utility Code For The
Acquisition By Citizens Communications Company Of All Of The
Stock Of The Joint Applicants' Corporation Parent, Commonwealth
Telephone Enterprises, Inc.

Cancellation Notice

This is to inform you of the following cancellation:

Type: Telephonic Public Input Hearing
Date: January 30, 2007
Time: 10:00 a.m.
Presiding: Administrative Law Judge Susan D. Colwell

Please mark your records accordingly.

pc: Chairman Holland
Vice Chairman Cawley
Commissioner Pizzingrilli
Commissioner Fitzpatrick
Judge Colwell
June Perry – LA, Keystone 3NW
Cyndi Page, CMU, Keystone 3N
Dawn Reitenbach (Scheduler)
Beth Plantz
✓ Docket Section
Calendar file

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FEB 13 2007