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CITIZENS
communications



September 7, 2000

Magalie Roman Salas
Secretary
Federal Communications Commission
445 12th Street, S.E.
Washington, DC 20554

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SEP 8 2000
FCC MAIL ROOM

Attention: Common Carrier Bureau

Enclosed is the original and five copies of the Joint Petition for Waivers of the Definition of "Study Area" Contained in Part 36, Appendix—Glossary of the Commission's Rules between Citizens Telecommunications Company of Illinois and GTE South Incorporated and GTE North Incorporated. Please stamp date one copy and return in the enclosed federal express envelope.

Requisite copies of the Joint Waiver have been provided to the FCC's Commercial Contractor, Public Reference Room and, and Cheryl Todd.

All correspondence and inquiries in conjunction with this filing should be addressed to me at 5600 Headquarters Drive, Plano, TX, 75024; telephone (469) 365-3375.

Sincerely,

Michael J. Shultz
Director, Regulatory Costing & Pricing

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

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In the Matter of)
)
Citizens Telecommunications Company of)
Illinois and GTE South Incorporated)
and GTE North Incorporated)
)
)
Joint Petition for Waivers of the Definition)
of "Study Area" Contained in Part 36,)
Appendix--Glossary of the Commission's)
Rules)

CC Docket No. 96-45)

JOINT PETITION FOR EXPEDITED WAIVERS

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GTE SOUTH INCORPORATED

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SUMMARY

GTE North Incorporated and GTE South Incorporated (collectively “Verizon companies”) have agreed to sell 110 of their Illinois exchanges to Citizens Telecommunications Company of Illinois (“Citizens”). These 110 exchanges collectively serve approximately 110,000 access lines. By this Joint Petition for Expedited Waivers (“Petition”), the Verizon companies seek a waiver to delete these 110 exchanges (including one exchange serving 659 access lines in Wisconsin) from their three Illinois study areas.

Citizens seeks a waiver of the study area definition to establish three new study areas consisting of the exchanges it is acquiring from the Verizon companies. Citizens does not presently provide telephone service within the state of Illinois.

The Verizon companies and Citizens respectfully request that the Federal Communications Commission (“Commission”) expeditiously review and approve this Petition. This Petition raises no new issues of law, is supported by Commission precedent, and the facts involved in this Petition clearly demonstrate that the public interest will be served by an expeditious grant.

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of)	
)	
Citizens Telecommunications Company of Illinois)	
and GTE South Incorporated and GTE North Incorporated)	
)	
)	
)	
Joint Petition for Waivers of the Definition of "Study Area" Contained in Part 36, Appendix--Glossary of the Commission's Rules)	CC Docket No. 96-45

JOINT PETITION FOR EXPEDITED WAIVERS

I. INTRODUCTION

GTE North Incorporated and GTE South Incorporated (collectively "Verizon companies") have agreed to sell 110 of their Illinois exchanges to Citizens Telecommunications Company of Illinois ("Citizens"). These 110 exchanges collectively serve approximately 110,000 access lines. By this Joint Petition for Expedited Waivers ("Petition"), the Verizon companies seek a waiver to delete these 110 exchanges from their three Illinois study areas. Citizens seeks a waiver to establish three new Illinois study areas consisting of the exchanges it is acquiring from the Verizon companies.

Citizens, a wholly-owned subsidiary of Citizens Communications Company (f/k/a Citizens Utilities Company), is seeking to acquire Illinois telecommunications property currently owned and operated GTE North Incorporated and GTE South Incorporated, companies owned by

Bell Atlantic Corporation, d/b/a Verizon Communications. Citizens does not presently provide telephone service within the state of Illinois.

Attachment A contains a list of the 110 exchanges being transferred to Citizens. Also included are approximately 659 access lines served by the Fairplay exchange that are physically located in Wisconsin.

The Federal Communications Commission (“Commission”) should expeditiously review and approve this Petition. This Petition raises no new issues of law, and the facts involved in this Petition are similar to those involved in similar waiver requests that have been recently approved.¹

II. THE COMMISSION’S STUDY AREA FREEZE SHOULD BE WAIVED

Part 36 of the Commission’s Rules “freezes” the definition of “study area” to the boundaries that were in existence on November 15, 1984.² This “freeze” was due, in part, to the Commission’s concern over the level of interstate cost recovery by local exchange carriers (“LEC”) from the Universal Service Fund (“USF”): “[t]he Commission took that action, in part, to ensure that LECs do not set up high cost exchanges within their existing service territories as

¹ See, e.g., In the Matter of Petition for Waivers Filed by Union Telephone Company, Inc. and U S WEST Communications, Inc. Concerning Section 61.41(c)(2) and 69.3(e)(11) and the Definition of “Study Area” Contained in the Part 36 Appendix-Glossary of the Commission’s Rules, Memorandum Opinion and Order, 12 FCC Rcd. 1840 (1997); In the Matter of Petitions for Waivers Filed by Alpine Communications, L.C., Butler-Bremer Mutual Telephone Company, Clarksville Telephone Company, Dumont Telephone Company, Grand River Mutual Telephone Corporation, Heartland Corporation, South Central Communications, Inc., Universal Communications, Inc., and U S WEST Communications, Inc. Concerning Sections 61.41(c)(2), 69.3(e)(11), 69.3(i)(4), 69.605(c) and the Definition of “Study Area” Contained in the Part 36 Appendix-Glossary of the Commission’s Rules, Memorandum Opinion and Order, 12 FCC Rcd. 2367 (1997).

² See 47 C.F.R. Part 36, Appendix--Glossary.

separate study areas to maximize high cost support.”³ At the same time, the Commission recognized that its rules were not aimed at discouraging “the acquisition of high cost exchanges or the expansion of service to cover high cost areas.”⁴ Indeed, the Commission’s Common Carrier Bureau (“Bureau”) has implemented this policy decision by holding that changes in study areas that “result from the purchase or sale of exchanges in arms-length transactions” “do not conflict” with the concerns prompting the study area freeze.⁵

The Verizon companies’ sale of the 110 exchanges to Citizens is an arms’ length transaction. There is no relationship whatsoever (neither stock ownership nor common directors or management) between any of the Verizon companies and Citizens or any of its affiliates. Because the applicants are unaffiliated, the sale of these exchanges falls squarely within the Commission’s policy.

The Commission has also established a three-prong test for deciding whether study area waivers should be granted. The Commission should approve such waiver requests if it determines:

³ In the Matter of U S WEST Communications, Inc. and Eagle Telecommunications, Inc. Joint Petition for Waiver of the Definition of “Study Area” Contained in Part 36, Appendix-Glossary of the Commission’s Rules and Eagle Telecommunications, Inc. Petition for Waiver of Section 61.41(c) of the Commission’s Rules, Memorandum Opinion and Order, 10 FCC Rcd. 1771, 1773 ¶ 10 (1995) (“Eagle Decision”), citing In the Matter of MTS and WATS Market Structure, Amendment of Part 67 of the Rules, and Establishment of a Joint Board, CC Docket Nos. 78-72 and 80-286, 50 Fed. Reg. 939 (Jan. 8, 1985).

⁴ In the Matter of MTS and WATS Market Structure, Amendment of Part 67 of the Commission’s Rules and Establishment of a Joint Board, CC Docket Nos. 78-72 and 80-286, 49 Fed. Reg. 48325, 48337 ¶ 65 (Dec. 12, 1984).

⁵ In the Matter of Contel of the West Petition for Waiver of Section 36.125(f), Sections 36.154(e)(1) and (2), and the Definition of “Study Area” contained in Part 36, Appendix-Glossary, of the Commission’s Rules, Oregon-Idaho Utilities, Inc., Petition for Waiver of the Definition of “Study Area” contained in Part 36, Appendix-Glossary, of the Commission’s Rules, Memorandum Opinion and Order, 5 FCC Rcd. 4570, 4571 ¶ 9 (1990) (emphasis added).

[F]irst, that the change will not affect adversely the USF support program;

[S]econd, that the state commission having regulatory authority does not object to the change; and

[F]inally, that the public interest supports grant of the waiver.⁶

As demonstrated herein, the primary concern prompting the “freeze” in study areas is not an issue in this transaction, and the Commission’s three-prong test will be satisfied.

Accordingly, the Verizon companies and Citizens respectfully request that the Commission grant the study area waivers permitting: (1) the Verizon companies to remove these 80 exchanges at issue from its Contel of IL d/b/a GTE IL study area, 3 exchanges from its GTE South-IL study area and 27 exchanges from its GTE North-IL study area; and (2) the affiliation of these exchanges within Citizens’ newly established three Illinois study areas. Attachment A hereto lists each affected Verizon study area and, in parentheses, the name of the new study area proposed by Citizens.

A. The USF Impact Arising From This Transaction

Since carriers purchasing high cost exchanges can only receive the same level of support per line as the seller received prior to the sale, there can, by definition, be no USF impact in these transactions. Citizens will receive the same amount of support as the Verizon companies currently receive in these 110 Illinois exchanges, so this transaction is a non-event for purposes of the USF.⁷

⁶ See, Eagle Decision, 10 FCC Rcd. at 1772 ¶ 5 (footnotes omitted).

⁷ Telephone USA of Wisconsin, LLC and GTE North Incorporated Joint Petition for Waiver of Definition of “Study Area” Contained in the Appendix to Part 36 of the Commission’s Rules (Glossary) and of Section 69.3(e)(9) of the Commission’s Rules, DA 00-1862 (CCB August 16,2000).

B. Neither The Illinois Nor The Wisconsin State
Commissions Object To The Proposed Change In Study
Area Boundaries

On August 9, 2000, the Illinois Commerce Commission (“ICC”) issued an order approving the sale of these 110 exchanges. In its order the ICC also stated that it...”has no objection to the FCC granting a study area waiver for the 110 exchanges being transferred to Citizens Telecommunication Company of Illinois as a result of this Asset Purchase”⁸.

The Wisconsin Public Utilities Commission will issue a letter the week of September 11, 2000, regarding the non objection to the FCC granting study area waivers nor to any configuration of study area boundaries involving the Fairplay, Wisconsin exchange.

C. The Public Interest Will Be Served By Grant Of
The “Study Area” Waiver Requested Herein

Citizens plans to invest, over a three-year period, approximately \$45 million in the 110 exchanges it is purchasing. While some of its capital investment will be used to perform maintenance, the remainder will be used to upgrade the network to provide enhanced services. Citizens plans to provide broadband/digital subscriber line services in the future when there is sufficient demand to make it possible to provide these services at an affordable cost. Citizens has provided a description of the to-be-acquired service areas, as well as its proposed operations and upgrades associated with the to-be-acquired exchanges.⁹ Moreover, Citizens and Verizon have fully provided the information associated with their respective portions of the transaction as recommended by the Bureau.

⁸ See Attachment C, Illinois Commerce Commission order approving sale of exchanges to Citizens dated August 9, 2000.

⁹ See Attachment A.

In light of the above, the Verizon companies and Citizens believe that the public interest would be served by the granting of the study area waivers requested herein.

III. CONCLUSION

For the reasons stated herein, the Verizon companies and Citizens respectfully request that the Commission expeditiously review and approve this Petition. This Petition raises no new issues of law, is supported by Commission precedent, and the facts involved in this Petition clearly demonstrate that the public interest will be served by such an expeditious grant. The Verizon companies and Citizens respectfully submit that an expeditious grant of this Petition will serve the public interest by affording the residential and business customers of these rural exchanges the benefits of the planned transfers.

Respectfully submitted,

CITIZENS TELECOMMUNICATIONS
COMPANY OF ILLINOIS

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Their Attorney

ATTACHMENT A

LIST OF ILLINOIS EXCHANGES AND ACCESS LINES

<u>Study Area</u>	<u>Exchange</u>	<u>CLLI</u>	<u>Lines</u>
GTE South, Inc. (CTC of IL – Fulton)	FULTON	FLTNILXA	2,336
	LYNDON	LYNDILXA	600
	MORRISON	MRSNILXA	4,150
GTE North, Inc. (CTC of IL – Delta)	ABINGDON	ABNGILXD	2,229
	BENLD	BNLDILXC	1,383
	BIGGSVILLE	BGVLILXD	734
	BUNKER HILL	BNHLILXE	1,375
	CARLINVILLE	CRVLILXC	4,919
	COFFEEN	COFNILXC	582
	DONNELLSON	DNSNILXC	549
	DOW	DOW ILXE	792
	EAST DUBUQUE / FAIRPLAY, WI	FRBRILXA	659
	FILLMORE	FLMRILXC	435
	GILLESPIE	GLLSILXC	2,272
	GREENVIEW	GNVWILXC	689
	GULFPORT	GLPTILXD	372
	HAMBURG	HBGCILXE	261
	HARDIN	HRDNILXE	947
	JERSEYVILLE	JRVLILXE	5,756
	KAMPSVILLE	KMVLILAA	351
	KIRKWOOD	KRWDILXD	502
	LONDON MILLS	LNMLILXD	334
	MONMOUTH	MNMOILXD	6,055
	MOUNT OLIVE	MTOLILXC	1,684
	NEW DOUGLAS	NWDGILXC	334
	RAMSEY	RMSYILXE	1,108
	ROSEVILLE	RSVLILXD	790
	SORENTO	SRNTILXC	456
	STRONGHURST	STRNILXD	833
	TEUTOPOLIS	TTPLILXD	1,562
	Contel of IL d/b/a GTE of IL (CTC of IL – River West)	ADDIEVILLE	ADVLILXE
ALBANY		ALBYILXD	1,036
ALEDO		ALEDILXD	2,827
ALEXIS		ALXSILXD	754
ALPHA		ALPHILXD	634
ALTAMONT		ALMTILXE	2,097
ANDOVER		ANDVILXD	500
ASHLEY		ASHYILXE	751
BARTELSON		BTLSILXE	452
BASCO		BASCILXC	442
BATCHTOWN		BTTWILXE	295
BATH		BATHILXD	396

<u>Study Area</u>	<u>Exchange</u>	<u>CLLI</u>	<u>Lines</u>
Contel of IL d/b/a GTE of IL (con't)	BEECHER CITY	BCCYILXE	612
	BOWEN	BOWNILXC	317
	BROWNSTOWN	BRTWILXE	578
	BRUSSELS	BRSLILXE	552
	CARTHAGE	CRTHILXC	2,238
	CHADWICK	CHWKILXA	545
	CHESTERFIELD	CHFDILXE	409
	COLETA	COLTILXA	319
	CORDOVA	CRDVILXD	789
	DALLAS CITY	DLCYILXC	670
	DUBOIS	DUBSILXE	321
	EAST DUBUQUE	EDBQILXS	2,360
	EDGEWOOD	EDWDILXE	689
	ELIZA	ELIZILXD	482
	ELVASTON	ELTNILXC	159
	ERIE	ERIEILXD	1,262
	FARINA	FARNILXE	800
	FERRIS	FRSILXC	295
	FIELDON	FLDNILXE	460
	HAMILTON	HMTNILXC	1,859
	HAMPTON	HMPNILXD	1,648
	HETTICK	HTTCILXE	179
	HILLSDALE	HLDLILXD	644
	HOFFMAN	HFMNILXE	385
	HOOPPLE	HPPLILXE	183
	HOYLETON	HYTNILXE	563
	INA	INA ILXE	420
	IRVINGTON	IVTNILXE	887
	JOY	JOY ILXD	403
	KEITHBURG	KTBGILXD	463
	KEYESPORT	KYPTILXE	558
	KILBOURNE	KLBRILXD	263
	LANARK	LNRKILXA	1,904
	LITTLE YORK	LYRILXD	331
	MASON CITY	MSCYILXC	1,579
	MATHERVILLE	MTVLILXD	471
	MEDORA	MEDRILXE	738
	MILLEDGEVILLE	MDVLILXA	997
	MULBERRY GROVE	MLGVILXE	828
	NAUVOO	NAUVILXC	962
	NEW BOSTON	NBTNILXD	487
	NEW MINDEN	NWMDILXE	332
	NIOTA	NIOTILXC	196
	NORTH HENDERSON	NHNDILXD	177
	OQUAWKA	OQWKILXD	1,053
	PATOKA	PATKILXE	942
	PITTSBURG	PSBGILXE	258
POLO	POLOILXA	1,998	
PORT BYRON	PTBYILXD	1,593	
PREEMPTION	PRMPILXD	248	
PROPHETSTOWN	PPTWILXA	1,558	
RIO	RIO ILXD	210	
SANDOVAL	SNDVILXE	806	

<u>Study Area</u>	<u>Exchange</u>	<u>CLLI</u>	<u>Lines</u>
Contel of IL d/b/a GTE of IL (con't)	SEATON	SETNILXD	237
	SHANNON	SHNNILXA	771
	SHATTUC	SHTCILXE	384
	SHERRARD	SHRRILXD	866
	SHUMWAY	SHWYILXC	1,520
	ST ELMO	STEMILXE	1,033
	ST PETER	STPRILXE	577
	SUTTER	STTRILXC	155
	TAMAROA	TAMRILXE	702
	TAMPICO	TMPCILXA	902
	THOMAS	THMSILXA	120
	WALTONVILLE	WTVLILXE	619
	WARSAW	WRSWILXC	919
	WATSON	WTSNILXC	1,604
	WOODLAWN	WDLWILXE	974

ATTACHMENT B
STUDY AREA MAP

CHICAGO AREA



- GTE SOUTH - CTC OF IL - FULTON
- GTE NORTH - CTC OF IL - DELTA
- CONTEL OF IL d/b/a GTE OF IL - CTC OF IL - RIVER WEST

ATTACHMENT C
STATE ORDERS AND LETTERS

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

GTE North Incorporated :
GTE South Incorporated :
Citizens Telecommunications Company of :
Illinois : 00-0187
:
Joint Petition for the Approval of Purchase :
and Sale of Assets, and Related Agreements :
Pursuant to §7-102 of the Public Utilities Act; :
the Issuance of Certificates of Interexchange :
Service, Service, and Exchange Service :
Authority Pursuant to §§13-403, 13-404, and :
13-405 to Citizens Telecommunications :
Company of Illinois; the Discontinuance by :
GTE North Incorporated and GTE South :
Incorporated of Service Pursuant to §13-406 :
of the Public Utilities Act; the Issuance of an :
Order Approving Designation of Citizens :
Telecommunications Company of Illinois as :
an Eligible Telecommunications Carrier :
Covering the Service Area Consisting of the :
Exchanges to be Acquired from GTE North :
Incorporated and GTE South Incorporated :
Upon the Closing of this Purchase and Sale of :
Assets; the Issuance of a Letter of a Non- :
Opposition to Waiver of Study Areas; the :
Authorization of Citizens Telecommunications :
Company of Illinois to Maintain its Books and :
Records Outside of the State of Illinois; and :
the Granting of All Other Necessary and :
Appropriate Relief. :

ORDER

By the Commission:

I. INTRODUCTION

A. Procedural History

On February 25, 2000, GTE North Incorporated ("GTE North"), GTE South Incorporated ("GTE South") and Citizens Telecommunications Company of Illinois ("CTC-Illinois") (collectively, "Joint Petitioners") filed a Verified Joint Petition ("Joint Petition") with the Illinois Commerce Commission ("Commission") pursuant to Section 7-102 of the Public Utilities Act ("Act"), 220 ILCS 5/1-101 et seq. seeking approval of the sale by GTE North and GTE South, and the purchase by CTC-Illinois, of certain telephone properties and related assets used in the provision of telecommunications service in the State of Illinois. The Petitioners requested, inter alia, that the Commission enter an order (1) granting CTC-Illinois statewide Certificates of Interexchange Service Authority and Service Authority pursuant to Sections 13-403 and 13-404 of the Act; (2) granting CTC-Illinois a Certificate of Exchange Service Authority, pursuant to Section 13-405 of the Act, for the service area consisting of the exchanges to be acquired from GTE North and GTE South upon the closing of the purchase and sale of assets; (3) designating CTC-Illinois, for the purposes of subsequent application to the Federal Communications Commission ("FCC"), as an Eligible Telecommunications Carrier ("ETC") for the service area consisting of the exchanges to be acquired from GTE North and GTE South; (4) authorizing GTE North and GTE South to discontinue their respective provision of non-competitive local exchange services under Section 13-406 of the Act in the service area consisting of the exchanges to be sold to CTC-Illinois upon the closing of the purchase and sale of assets; (5) issue a letter of non-opposition to the FCC regarding Petitioners' request for a study area waiver pursuant to 47 CFR §36; and (6) authorizing CTC-Illinois to maintain its books and records outside of the State of Illinois pursuant to 83 Illinois Administrative Code, Part 250.

Petitions to intervene in this proceeding were filed by Local Union Nos. 51, 196 and 702 of the International Brotherhood of Electrical Workers, the Illinois Telecommunications Association, and the Illinois Independent Telephone Association. The Hearing Examiner granted these petitions to intervene.

Pursuant to notice required by law and the rules and regulations of the Commission, a prehearing conference was held by a duly authorized Hearing Examiner of the Commission at its offices in Springfield, Illinois, on March 8, and March 22, 2000.

Pursuant to proper notice, an evidentiary hearing was held before a duly authorized Hearing Examiner of the Commission at its offices in Springfield, Illinois on June 20, 2000. Petitioners, Staff, and the Illinois Telecommunications Association appeared. Petitioners and Staff presented witnesses. Brian W. McCormick, Regulatory Director – Property Repositioning of GTE Network Services presented testimony on behalf of Joint Petitioners GTE North and GTE South. F. Wayne Lafferty, Vice President, Regulatory and Government Affairs, of Citizens Communications Company, John Lass, Vice President and General Manager, Central Region and Vice President of CTC-Illinois and Angelo F. Rella, Vice President State Government Affairs presented testimony on behalf of Petitioner CTC-Illinois. Karen A. Goldberger, Senior Accountant in the Accounting Department of the Financial Analysis Division, Cindy

Jackson, of the Office of Consumer Programs in the Consumer Services Division, A. Olusanjo Omoniyi, Policy Analyst in the Telecommunications Division, Robert F. Koch, Economic Analyst in the Rates Section of the Telecommunications Division, and Alan S. Pregozen, Chief Financial Analyst in the Finance Department of the Financial Analysis Division presented testimony on behalf of Staff. Following the presentation of testimony, Staff stated that they had reviewed the record and had no objections to the Joint Petition as filed. Staff further represented that they recommended to the Commission that the relief requested be granted. At the conclusion of the hearing on June 20, 2000, the record was marked "Heard and Taken."

The parties agreed to waive the submission of both initial and reply briefs. On July 17, 2000, Petitioners filed a proposed order. Staff notified the Hearing Examiner by letter on July 18, 2000 of Staff's concurrence with Petitioners' proposed order.

B. The Joint Petitioners

1. The Sellers—GTE North and GTE South

GTE North and GTE South are both wholly owned subsidiaries of GTE Corporation ("GTE"), a corporation created and existing under the laws of the state of New York. Through its various subsidiaries, GTE provides customers with a wide variety of communications services on a regulated and unregulated basis throughout the United States and in several foreign countries. GTE's local telephone subsidiaries serve 26.1 million access lines in twenty-eight states, including Illinois.

GTE North is a Wisconsin corporation and GTE South is a Virginia corporation. GTE North and GTE South supply local exchange telephone service, access service, and intraLATA toll service throughout the State of Illinois. GTE North and GTE South provide both regulated and competitive communications services to residential, business, and wholesale customers. Together, GTE North and GTE South currently serve approximately 900,000 customer access lines in Illinois.

After closing of this transaction, GTE North and GTE South will continue to own and operate more than 800,000 customer access lines in Illinois. GTE's offering of long distance and Internet services to customers in Illinois will not be affected by the proposed sale to CTC-Illinois.

2. The Buyer—CTC-Illinois

CTC-Illinois was incorporated in Illinois on February 2, 2000 for the purpose of acquiring and operating the access lines and associated property to be acquired from GTE North and GTE South. Upon issuance of the requested Certificates of Service and Interexchange and Exchange Service Authority by the Commission and the closing of the transaction, CTC-Illinois will become a telecommunications carrier in the State of Illinois.

CTC-Illinois is a wholly owned subsidiary of Citizens Communications Company ("Citizens"), a diversified utility which, through its various operating divisions or subsidiaries, presently provides telecommunications, electric, gas, water and wastewater services to approximately 1.9 million customers in 22 states.

Citizens has determined that it will now focus its business on acquiring and operating telecommunications businesses in small and medium-size communities. To that end, Citizens entered into definitive agreements on May 27, 1999 with GTE to acquire approximately 187,000 telephone access lines, including all of GTE's local exchange properties in Arizona and Minnesota, and a portion of GTE's properties in California. On June 16, 1999, Citizens and U S WEST Communications, Inc., announced that they had entered into a series of definitive agreements for Citizens to purchase local exchange telephone properties serving approximately 530,000 telephone access lines in nine states. On September 21, 1999 Citizens entered into an agreement to purchase approximately 58,000 access lines from GTE in Nebraska. On December 16, 1999 Citizens and GTE announced that they had entered into a definitive agreement for Citizens to purchase 106,850 access lines in Illinois.

Citizens has provided telephone service since its organization in 1935. Citizens' subsidiaries are experienced in the provision of telecommunications services and presently operate as incumbent local exchange carriers ("ILECs") in thirteen states. Services provided in those states include local, intraLATA and long-distance. Citizens also owns 82% of Electric Lightwave, Inc. ("ELI"), a leading full-service, facilities based, competitive local exchange carrier. CTC-Illinois will draw heavily on Citizens' existing telecommunications management resources for planning, marketing, network, service development, provisioning and delivery, and legal and regulatory expertise.

After closing of the transaction that is the subject of the Joint Petition, CTC-Illinois will become an ILEC in Illinois. Citizens subsidiaries currently operate as ILECs in: Arizona, California, Idaho, Montana, Nevada, New Mexico, New York, Oregon, Pennsylvania, Tennessee, Utah, West Virginia, and Wisconsin. These subsidiaries serve approximately one million access lines.

C. Description of the Proposed Transaction

The terms of CTC-Illinois' purchase of the GTE North and GTE South exchanges ("Asset Purchase") are described in the Asset Purchase Agreement, filed as proprietary Exhibit 4 to the Joint Petition. The net effect of the Asset Purchase is that CTC-Illinois will acquire 110 of GTE North and GTE South's current exchanges, and all of the assets necessary to operate those exchanges, including relevant authorizations and licenses currently held by GTE North or GTE South. The affected exchanges were described in Exhibits 23-25 to the Joint Petition.

Until the Asset Purchase is complete, GTE North and GTE South will continue to operate as they do today. The transaction will not be finalized until all necessary

governmental and regulatory approvals and reviews have been obtained or completed, including those to be obtained from both the FCC and this Commission.

Upon completion of the Asset Purchase, CTC-Illinois will maintain the existing local exchange service and local and intraLATA calling rates, retain existing employees and continue to achieve of all Commission mandated service quality standards.

II. RESOLUTION OF THE ISSUES

In the course of this proceeding, the parties resolved all issues raised. These issues are discussed below.

A. Approval Pursuant to Section 7-102

Section 7-102 of the Act requires Commission approval (unless such approval is waived) for the purchase of assets by one public utility of another public utility, including the acquisition of franchises, licenses, and permits. Section 7-102(c) requires Commission consent and approval (unless such approval is waived) of the sale of assets by a public utility, including franchises, licenses and permits. Section 7-102 requires the filing of a petition, joint or otherwise, with the Commission signed by the appropriate representative(s) of the company or companies setting forth the objective and purpose of the petition and the full and complete terms of the transaction. Section 7-102 allows the Commission to approve the transaction if the Commission "is satisfied that the petition should reasonably be granted and that the public will be inconvenienced thereby" (220 ILCS 5/7-102).

The Joint Petitioners offered testimony that the proposed transaction is in the public interest. Brian W. McCormick, on behalf of GTE, testified that customers in the transferred area will receive the benefit of Citizens' emphasis on rural telecommunications service at a time when GTE has made a strategic decision to redefine its telecommunications markets. He also noted that the customers transferring to CTC-Illinois would benefit because Citizens is primarily a rural service company and its renewed focus on the areas associated with the acquired properties should result in excellent customer service and attention. The communities in the transferred territories will benefit because CTC-Illinois will provide a concentrated focus on the areas associated with the acquired properties. GTE shareholders would benefit because the value of its retained investments should increase with GTE's improved ability to capitalize on marketplace opportunities. Current GTE employees in the territories to be transferred will benefit because they will become part of a company committed to serving the smaller, more rural marketplace.

Mr. McCormick also offered testimony on the plans for a smooth transition to ensure that there will be no disruptions of service and that customers will not be detrimentally affected by the sale. He testified that GTE realized the importance of ensuring a smooth transition and has in place a repositioning team that reflects GTE's

experience with other states' transitions. A team representing all of the impacted functional areas in GTE has been established to implement the transition for the affected Illinois exchanges.

CTC-Illinois Witness F. Wayne Lafferty testified that the transaction will not affect end user rates because CTC-Illinois will adopt GTE's local service rates and charges in effect at the time of the closing of the Asset Purchase. He also stated that the proposed Asset Purchase will not have any adverse effect on carriers in the acquired exchanges with which GTE has interconnection agreements. CTC-Illinois agrees to adopt GTE's intrastate tariff rates in effect at the time of closing. Citizens also intends to negotiate interconnection agreements with all telecommunications service providers that currently provide services in the subject exchanges. While CTC-Illinois expects to reach agreement with all such providers before closing, if it does not, CTC-Illinois will provide interconnection services to that provider according to the existing interconnection agreement with GTE until CTC-Illinois and the provider have executed a new interconnection agreement. All interconnection agreements between CTC-Illinois and telecommunications services providers in the subject exchanges will be submitted to the Commission for approval as required.

Mr. Lafferty offered testimony regarding CTC-Illinois' plans to host Open House meetings for customers and other interested parties. He also described Citizens' historical community involvement in areas where it operates. He noted that Citizens' role as a corporate citizen and its employees' involvement within communities where it operates is a further demonstration that the proposed Asset Purchase will serve the public interest in Illinois. He testified that CTC-Illinois plans to become a member of both the Illinois Telecommunications Access Corporation ("ITAC") and the Universal Telephone Assistance Corporation ("UTAC").

For the Commission Staff, Karen Goldberger testified that Joint Petitioners fulfilled the filing requirements of Section 7-102(c). She also concluded that the Petitioners would properly record the transaction and would file journal entries recording the transaction with the Chief Clerk and provide copies to Staff at the time they are entered on each Petitioner's books and records.

Staff Witness Cindy Jackson examined the impact on Illinois consumers of the proposed Asset Purchase. She stated that she was comfortable with CTC-Illinois' commitment to participate in ITAC and UTAC and noted that Citizens has participated in the various telephone relay systems and the Lifeline Program in states where it is currently providing telecommunications service. She also found that CTC-Illinois offers a Directory Assistance Exemption for customers that have either a visual or mobility disability preventing them from being able to use a telephone directory, as well as a Senior ID Program, which establishes a priority on the account if service is ever interrupted due to storms, etc., and under which their service will be restored first.

Staff Witness Jackson also testified regarding consumer issues that will arise as a result of the proposed Asset Purchase. She described the efforts the Joint Petitioners have undertaken to inform consumers of the pending transaction, including press releases, future Open House meetings and meetings with key community and government officials. Additionally, she noted that GTE would notify customers via bill insert or separate mailing once the Asset Purchase is approved by this Commission and news releases describing the transaction will be provided to the media. She noted that the Joint Petitioners had agreed to notify all customers prior to closing, and to share the content of customer notices with the Commission prior to distribution.

Ms. Jackson requested that CTC-Illinois supply additional information regarding transfer of certain customer information. Following CTC-Illinois' submission of the requested information, Ms. Jackson raised a concern about the possibility of a negative impact of billing changes on certain customers. To address this concern, she recommended CTC-Illinois allow at least 60 days notice to its customers prior to any bill date or due date changes.

Mr. Angelo Rella, in surrebuttal testimony on behalf of CTC-Illinois, agreed to Staff's recommendation and testified that CTC-Illinois will work with GTE to provide customers with 60 days notice regarding the dates on which they can expect their CTC-Illinois bills following the Asset Purchase.

Staff Witness A. Olusanjo Omoniyi's testimony addressed the policy issues relating to the Asset Purchase Agreement between Joint Petitioners. He reviewed the Agreement to determine if it met the standards of Section 7-102(c), and whether the Asset Purchase served the public interest. Mr. Omoniyi analyzed the market conditions and characteristics of the affected exchanges, CTC-Illinois' plans upon entering the market and the existence of similarly situated competitors. He noted that competition brings with it a number of benefits such as encouragement of innovations, lower prices for services, and efficiency both in terms of quantity and quality of services. A healthy environment where more competing telecommunications carriers can enter the marketplace with ease will encourage improved product offerings to the customers. He concluded that such an environment seems to exist in this situation.

Staff Witness Omoniyi also concluded that there is no indication that GTE's remaining operations in Illinois will not enjoy the benefits of overall efficiency as the company repositions itself. Also, there is no indication that communities and customers in areas where GTE is exiting will suffer. Mr. Omoniyi also noted that CTC-Illinois is a company which is more focused on serving rural exchange markets.

Mr. Omoniyi also discussed the efforts CTC-Illinois has undertaken to ensure a smooth transition to prevent any disruption of service which might affect the communities and customers in these exchanges. He noted that all current GTE employees in the acquired exchanges will continue to work for CTC-Illinois under the same conditions and terms as before the Asset Purchase. Moreover, CTC-Illinois

intends to hire more employees in a number of functional areas including Engineering and Operations Management. Mr. Omoniyi concluded that there was no reason to believe that the purchase agreement will harm the health of the state and local economies, the communities in the area served or the customers.

On the issue of local competition Mr. Omoniyi reviewed CTC-Illinois' plans regarding interconnection agreements currently in effect in the subject exchanges. He also noted that CTC-Illinois demonstrated an awareness of applicable orders and rulings governing local competition and that CTC-Illinois acknowledged that it will be subject to these regulatory orders and rulings. Additionally, CTC-Illinois has indicated that it will adopt the GTE Illinois tariffs in effect at the time of closing, and that it has no plans at this time to seek service reclassifications.

Based on his analysis of the various markets and the information supplied to him, Mr. Omoniyi recommended that the Commission approve the Agreement.

Staff Witness Robert Koch testified regarding several issues related to Joint Petitioners request for approval of the Asset Purchase pursuant to Section 7-102. He discussed concerns regarding the earnings of CTC-Illinois following consummation of the proposed transfer. Mr. Koch noted that the entity which will be formed as a result of this purchase and sale of assets will consist of a set of exchanges in which the Commission will have no information regarding earnings or revenue on a stand alone basis. Mr. Koch proposed that approval of the Asset Purchase be conditioned on CTC-Illinois providing the Commission with an informal, undocketed, informational earnings report coverings its first full year of operations.

Mr. Koch also recommended that the Commission require, as a condition to approval of the proposed Asset Purchase, that CTC-Illinois provide to Staff long run service incremental cost studies ("LRSICs") and imputation and aggregate revenue tests for all applicable services within 18 months of the close of the Asset Purchase. Additionally, he recommended that the Commission require CTC-Illinois to provide to Staff a Cost Allocation Manual ("CAM") within 18 months of the close of the Asset Purchase for its review.

During the rebuttal phase of this proceeding, CTC-Illinois Witness Rella pointed out that the financial results of CTC-Illinois' first year of operations were unlikely to be a reliable prediction of the ongoing operations and that calendar year based reports would be much less onerous for CTC-Illinois to create and much less cumbersome for Staff to evaluate. Mr. Rella proposed a filing period for various items that was six months following the first full calendar year of CTC-Illinois' operations. Ultimately, CTC-Illinois agreed to Mr. Koch's modified recommendation that the Commission condition approval of the Asset Purchase on CTC-Illinois filing the Cost Allocation Manual within 18 months of the closing of the Asset Purchase; that the financial schedules for calendar year 2001, LRSIC studies, and imputation tests recommended in his direct testimony be submitted on or before June 30, 2002, if the closing of the

Asset Purchase were to occur prior to January 1, 2001; and that the financial schedules for the first full year of operations, LRSIC studies, and imputation tests be submitted within 18 months of the closing of the Asset Purchase if the closing occurs on or after January 1, 2001.

Staff Witness Alan Pregozen testified that he analyzed the financial structure and condition of CTC-Illinois to determine whether the proposed Asset Purchase is consistent with public convenience. He concluded that the Asset Purchase was consistent with public convenience because CTC-Illinois plans to hold local exchange assets in a separate subsidiary, thereby insulating those assets from the risk of affiliated unregulated or non-utility companies. He also concluded that Citizens' debt ratings indicated that it has a strong ability to meet its debt service obligations.

The Commission finds that Joint Petitioners have offered evidence on the record that the proposed Asset Purchase is in the public interest and should be approved pursuant to the Commission's authority under Section 7-102 of the Act, subject to the condition that CTC-Illinois file the financial reports, LRSICs, CAM and imputation tests according to the schedule in Staff's rebuttal testimony.

B. Certificates of Service Authority and Discontinuance of Service by GTE North and GTE South

Joint Petitioners requested that the Commission grant to CTC-Illinois Certificates of Service Authority under Sections 13-403, 13-404, and 13-405 of the Act and approve the discontinuance of service by GTE North and GTE South pursuant to Section 13-406 of the Act. Joint Petitioners presented evidence that CTC-Illinois possessed sufficient technical, financial and managerial resources and abilities to meet the statutory standard for the requested certifications. This evidence included CTC-Illinois' Certificate of Incorporation and Good Standing in the State of Illinois (Exhibits 11 and 12 to the Joint Petition), and Citizens' then most recent annual report, 10K and 10Q (Exhibits 21 and 22 to the Joint Petition).

GTE Witness Brian W. McCormick described the process GTE followed in the selection of a buyer for the Illinois properties. The evaluation included a review to determine that the prospective buyer had financial viability, possessed the ability to successfully operate the property and would make a commitment to retain GTE employees directly supporting the purchased exchanges. GTE's selection of a buyer also involved a commitment by the buyer to assume the terms and conditions of any bargaining unit agreement in effect for the sold properties.

CTC-Illinois Witness Wayne Lafferty summarized Citizens' extensive experience in the provision of telecommunications services, including its operation as an ILEC since 1935. Citizens' subsidiaries currently operate as ILECs in thirteen states, serving approximately one million access lines. Citizens plans to build upon its existing expertise and resources to further concentrate on providing telecommunications

services in small and medium-size communities. Mr. Lafferty also described recent agreements for Citizens to acquire nearly 1,000,000 access lines from GTE and US West in 14 states, including Illinois. Mr. Lafferty further stated that CTC-Illinois would draw heavily upon Citizens' telecommunications management resources for planning, marketing, network, service development, provisioning and delivery, and legal and regulatory assistance. Additionally, CTC-Illinois Witness John Lass testified that all active GTE employees employed in the 110 affected exchanges will be transferred to CTC-Illinois, in the same or comparable positions, with the same or comparable compensation, ensuring continuity in day-to-day operations.

Mr. Lafferty explained that the CTC-Illinois properties will become part of the Citizens' Central region. The Central region, which is headed by John Lass, consists of the states of Iowa, Illinois, Minnesota, Nebraska, North Dakota and Wisconsin. In response to Staff's discovery request, CTC-Illinois submitted a formal "Application for Certificate to Become A Telecommunications Carrier." In support of its technical qualifications, CTC-Illinois referred to Proprietary Exhibit 4 to the Joint Petition, including a list of the telephone plant to be acquired in Illinois. CTC-Illinois Witness John Lass also explained that operations offices will be located in Illinois to manage the installation, repair and routine construction activities for CTC-Illinois customers. Employees will be located in local areas as appropriate to meet the day-to-day requirements. The Johnstown Customer Care Center and the Sherburne Plant Service Center in New York are being expanded to ensure efficiency and quality service. The Customer Care Center will handle calls relating to service orders, billing inquiries, and other customer inquiries. The Plant Service Center will handle all customer maintenance and repair requests. As the transition progresses, further expansion and organizational changes may take place.

On the issue of financial qualifications, CTC-Illinois Witness Lafferty stated that Citizens' initial funding of the property acquisition(s) will be provided from the Company's cash and investment portfolio or from short-term borrowings. Citizens presented evidence that as of December 31, 1999, Citizens cash and investment balances totaled more than \$575 million. Citizens also has the ability to borrow the necessary funds either by issuing commercial paper or by drawing on a \$3 billion bank credit facility obtained for the purpose of providing funding for property acquisitions. Permanent funding for the acquisitions will be provided from Citizens' cash and investment portfolio and the proceeds from the sale of the company's Public Services (gas, electric and water) businesses. Mr. Lafferty testified that Citizens had reached agreements for the sale of all of its water and electric properties.

Citizens presented testimony that it will capitalize its new telephone subsidiaries initially with 100% equity. Citizens expects that the proceeds from the sale of the Public Services businesses, combined with its cash and investment portfolio, will be sufficient to fund substantially all of its announced acquisitions. Citizens does not expect to issue any new long-term debt as a result of these transactions. In addition,

the disposition of the Public Services businesses is expected to result in the realization of a gain, strengthening the consolidated balance sheet.

Mr. Lafferty also testified that in 1999, Citizens had annual operating revenues of \$1.542 billion. It has a strong income statement and balance sheet, with long-term debt rated "A+" by Standard & Poor's Corporation and "A2" by Moody's Investors Service. Citizens provided more detailed information about Citizens' financial strength and stability in Exhibits 21 and 22 to the Joint Petition. Mr. Lafferty stated that Citizens will be able to attract capital on reasonable terms and maintain a reasonable capital structure following the Asset Purchase. Its strong investment grade ratings should assure Citizens access to public and private debt markets on reasonable terms and conditions. Citizens submitted, as proprietary exhibit 2.02, its projected year end 2000 capital structure, including the impact of the impending GTE and US West acquisitions and the disposition of the public service properties.

Staff Witness Robert Koch provided testimony regarding the analysis that Staff performs in determining whether a certificate of service authority pursuant to Sections 13-403, 13-404 and 13-405 should be granted. Mr. Koch concluded that CTC-Illinois' testimony in this proceeding and the information supplied in its Application to Become a Telecommunications Carrier demonstrated its ability to meet all of the required managerial, technical and financial requirements. Mr. Koch concluded that as a subsidiary of Citizens, CTC-Illinois has a wealth of experience and resources available to operate under its requested authority under Sections 13-403, 13-404, and 13-405 of the Act.

Staff Witness Cindy Jackson concurred with Witness Koch's evaluation of Citizen's Application to Become A Telecommunications Carrier. She also noted that CTC-Illinois' commitment to retain current GTE employees will provide CTC-Illinois with additional resources and a wealth of knowledge about Illinois operations.

In addition, Staff Witness Alan Pregozen's analysis concluded that Citizens' capital structure is within key financial benchmarks for A-rated telecommunications companies, indicating that Citizens has sufficient financial strength to raise capital on reasonable terms. He further noted that Standard & Poor's has assigned Citizens a stable long-term credit rating outlook which indicates that Standard & Poor's believes that Citizens' long term credit rating is not likely to change over the intermediate to longer term. Thus, Citizens' financial strength would not be affected by the pending sales and purchases of other properties and assets as described in the Joint Application.

No party challenged the propriety of allowing GTE North and GTE South to discontinue the provision of non-competitive services in the transferred exchanges.

The Commission finds that CTC-Illinois' management team is made up of individuals with significant demonstrated expertise in business affairs generally and in

the telecommunications industry in particular. CTC-Illinois has the necessary managerial, technical and financial qualifications to provide telecommunications services in the public interest. The Commission finds that CTC-Illinois is qualified to hold the requested certificates of service authority, and that GTE North and GTE South may discontinue providing non-competitive services in the areas transferred to CTC-Illinois upon the closing of the Asset Purchase.

C. ETC Designation

Joint Petitioners requested that the Commission designate CTC-Illinois, for purposes of subsequent application to the FCC, as an ETC for the service area consisting of the exchanges to be acquired from GTE North and GTE South, effective upon the closing of the Asset Purchase. CTC-Illinois Witness Wayne Lafferty noted that any carrier seeking USF funding must be designated by the state commission as being an ETC. GTE has been so designated for the exchanges being acquired. Mr. Lafferty noted that Citizens will provide the same services as GTE after the Asset Purchase, and therefore CTC-Illinois requests that the Commission grant it the same eligible carrier status as enjoyed by GTE prior to the Asset Purchase. Mr. Lafferty testified that CTC-Illinois will meet all ETC criteria upon assuming operation of the acquired exchanges.

Ms. Jackson reviewed CTC-Illinois' plans to ensure that they met with FCC and Commission requirements regarding (1) advertising the availability of services and the charges using media of general distribution; (2) offering Lifeline and Link Up support to qualifying low-income consumers; (3) prohibiting the disconnection of low-income consumers for non-payment of toll charges; and (4) prohibiting the collection of a deposit from low-income customers who subscribe to toll limitation service. Ms. Jackson concluded that consistent with the requirements of FCC Rule 54.201(2) and 83 Ill. Adm. Code Part 757, CTC-Illinois had agreed to fulfill the advertising guidelines of an ETC. She further testified that CTC-Illinois, in compliance with Sections 54.400 – 54.409 and Sections 54.411-417 of the FCC Rules, had agreed to offer Lifeline and Link Up service to eligible consumers within its operating territory. She also noted that CTC-Illinois had agreed to comply with Section 54.401(b) of the Commission's rules and had committed to not disconnect Lifeline service for non-payment of toll charges. Ms. Jackson testified that CTC-Illinois had offered evidence that it will comply with Section 54.501(c) of the FCC Rules. Specifically, CTC-Illinois stated that it will not require a service deposit in order for a low-income customer to initiate Lifeline service, if the customer voluntarily elects toll blocking where available. Based on her review of the areas of ETC eligibility for which she was responsible, Ms. Jackson recommended that the Commission grant CTC-Illinois' request for ETC designation.

Because data requests to CTC-Illinois were outstanding at the time that he submitted his direct testimony, Mr. Robert Koch initially noted that CTC-Illinois had not offered sufficient information to allow a recommendation regarding CTC-Illinois' request for ETC designation. CTC-Illinois submitted the requested information, and at hearing,

Mr. Koch testified that his concerns regarding ETC designation had been addressed and that CTC-Illinois' request for designation as an ETC for the exchanges acquired from GTE should be granted.

The Commission agrees with Staff and Petitioners, that effective upon the closing of the Asset Purchase, CTC-Illinois should be designated as an ETC for the service area consisting of the exchanges that are currently served by GTE North and GTE South and that are the subject of the Asset Purchase Agreement.

D. Study Area Waiver

Joint Petitioners also requested that the Commission issue a letter of non-opposition to the FCC regarding Joint Petitioners' request for the study area waivers necessary for the exchanges which are to be transferred from GTE North and GTE South to CTC-Illinois pursuant to this Asset Purchase. CTC-Illinois Witness Wayne Lafferty testified that one of the regulatory approvals that is necessary to complete the Asset Purchase is a study area waiver from the FCC. Mr. Lafferty explained that a study area is a geographical segment of a carrier's telephone operations. He also stated that carriers perform jurisdictional separations at the study area level. For jurisdictional separations purposes, the FCC adopted a rule freezing study area boundaries, effective November 15, 1984. Following the study area "freeze", if a carrier wishes to sell an exchange or a number of exchanges that constitute less than a study area, it must apply for a waiver of the "frozen study area" rule because the sale would have the effect of changing study area boundaries. Mr. Lafferty also stated that before granting a study area waiver, the FCC requires that the state Commission indicate that it does not object to the granting of the waiver.

Neither Staff nor the Intervenors raised any objections to the Commission granting the request for a statement of non-opposition to the FCC.

The Commission finds that it does not object to the modification of the study area boundaries, to remove the exchanges that are the subject of the Asset Purchase from the Illinois study areas of GTE North and GTE South, and to include those exchanges in the study areas of CTC-Illinois.

E. Location of Books and Records

CTC-Illinois requested permission to keep its books and records at its principal place of business outside of Illinois pursuant to 83 Ill. Adm. Code Part 250. CTC-Illinois' books and records will be located at the Citizens telephone operations headquarters in Plano, Texas. Mr. Lafferty testified that Citizens has provided books and records for state and federal regulatory agencies upon request in the past. Mr. Lafferty stated that upon closure of the Illinois Asset Purchase, CTC-Illinois would provide the Commission appropriate access to these books and records. Mr. Lafferty also testified that CTC-Illinois agreed to be liable for the reasonable costs and

expenses associated with the audit or inspection of CTC-Illinois' books and records kept outside of Illinois.

The Commission finds it appropriate to grant CTC-Illinois permission to keep its books and records outside Illinois, provided that in accordance with Section 5-106, CTC-Illinois shall be liable for the reasonable costs and expenses associated with an audit or inspection of CTC-Illinois' books and records kept outside Illinois. CTC-Illinois shall promptly reimburse the Commission for such expenses upon receipt of a proper invoice from the Commission.

III. FINDINGS AND ORDERING PARAGRAPHS

The Commission, having considered the entire record herein and being fully advised in the premises, is of the opinion and finds that:

- (1) Citizens Telecommunications Company of Illinois seeks to acquire certain of the assets of GTE North Incorporated and GTE South Incorporated, and as such, seeks to become a telecommunications carrier within the meaning of Section 13-202 of the Act;
- (2) GTE North Incorporated and GTE South Incorporated are corporations which provide telecommunications services in Illinois, and, as such are telecommunications carriers within the meaning of Section 13-202;
- (3) the Commission has jurisdiction over the parties to this docket and the subject matter hereof;
- (4) the findings of fact and conclusions of law set forth in the prefatory portion of this Order are supported by the record herein and are hereby adopted as findings of fact and conclusions of law;
- (5) the proposed acquisition by Citizens Telecommunications Company of Illinois of certain assets of GTE North Incorporated and GTE South Incorporated, and the transactions contemplated to effectuate that acquisition, are reasonable, will convenience the public, and should be approved pursuant to Section 7-102;
- (6) upon completion of the proposed Asset Purchase and the transactions related thereto, Citizens Telecommunications Company of Illinois will possess sufficient technical, financial and managerial resources and abilities to provide interexchange and local exchange telecommunications service; the Commission should grant to Citizens Telecommunications Company of Illinois Certificates of Service Authority pursuant to Sections 13-403, 13-404 and 13-405;

- (7) upon completion of the proposed Asset Purchase and the transactions related thereto, discontinuance of the provision of non-competitive telecommunications service by GTE North Incorporated and GTE South Incorporated will not deprive customers of any necessary or essential telecommunications service or access thereto, is not contrary to the public interest, and should be permitted pursuant to Section 13-406;
- (8) effective upon the closing of the Asset Purchase, Citizens Telecommunications Company of Illinois should be designated as an Eligible Telecommunications Carrier for that service area currently served by GTE North Incorporated and GTE South Incorporated and consisting of the 110 exchanges to be transferred to Citizens Telecommunications Company of Illinois;
- (9) the designation of Citizens Telecommunications Company of Illinois upon the closing of the Asset Purchase as an Eligible Telecommunications Carrier is consistent with the Act and the FCC's applicable rules and is in the public interest;
- (10) effective upon the closing of the Asset Purchase, Citizens Telecommunications Company of Illinois should comply with the various requirements associated with being a designated Eligible Telecommunications Carrier as set forth in the FCC's Rules and the additional requirements and commitments relating to its status as an Eligible Telecommunications Carrier as described in the prefatory portion of this Order;
- (11) the Commission has no objection to the FCC granting a study area waiver for the 110 exchanges to be transferred to Citizens Telecommunications Company of Illinois as a result of this Asset Purchase;
- (12) Citizens Telecommunications Company of Illinois should be granted permission pursuant to 83 Illinois Administrative Code Part 250 to keep its books and records outside of the State of Illinois;
- (13) the relief requested in this docket by Citizens Telecommunications Company of Illinois should be granted on the conditions that:
 - (a) Citizens Telecommunications Company of Illinois files with the Commission, an informal, undocketed informational earnings report containing the following schedules with a copy of supporting workpapers: (a) Revenue and Financial summaries (A Schedules) per Part 285.1000-.1015; (b) Rate Base (B Schedules) per part 285.2000-.2125; (c) Operating Income (C Schedules) per Part 285.3000-.3130; (d) Rate of Return (D Schedules) per Part 285.4000-.4025; and (e) Supplemental Filing Requirements (S

Schedules) per Part 285.205-.210, in each case subject to the Commissions' rules regarding proprietary and confidential information, such filing to be made on or before June 30, 2002 for calendar 2001, if the closing of the Asset Purchase occurs prior to January 1, 2001, or for the first full year of operations within eighteen (18) months of the closing of the Asset Purchase if the closing were to occur on or after January 1, 2001;

- (b) Citizens Telecommunications Company of Illinois provides to Staff long run service incremental cost studies, imputation and aggregate revenue tests, for its competitive services on or before June 30, 2002, if the closing of the Asset Purchase occurs prior to January 1, 2001, or within eighteen (18) months of the closing of the Asset Purchase if the closing were to occur on or after January 1, 2001; and
 - (c) Citizens Telecommunications Company of Illinois provides to Staff a cost allocation manual within eighteen (18) months of the closing of the Asset Purchase;
- (14) the materials submitted by the parties in this proceeding on a proprietary basis or for which proprietary treatment was requested are hereby considered proprietary and should continue to be accorded such treatment;
 - (15) any other relief necessary or appropriate to consummate the transactions and carry out the purposes referred to in Findings 5-11 above should be approved;
 - (16) any petitions, objections or motions in this docket not specifically disposed of herein should be disposed of in a manner consistent with the conclusions herein; and
 - (17) the consent, authority and approval of the Commission should be granted to Citizens Telecommunications Company of Illinois, GTE North Incorporated and GTE South Incorporated to do any and all other things not contrary to law or to the rules and regulations of the Commission that are incidental, reasonably necessary or appropriate to the performance of any and all acts authorized by the Commission in this Order.

IT IS THEREFORE ORDERED that the proposed acquisition by Citizens Telecommunications Company of Illinois of certain assets of GTE North Incorporated and GTE South Incorporated should be, and hereby is, approved.

IT IS FURTHER ORDERED that all transactions necessary or appropriate, contemplated by Citizens Telecommunications Company of Illinois, GTE North

Incorporated and GTE South Incorporated, to effectuate consummation of the proposed Asset Purchase should be, and hereby are, approved.

IT IS FURTHER ORDERED that Citizens Telecommunications Company of Illinois should be, and hereby is, granted certificates of service authority pursuant to Sections 13-403, 13-404, and 13-405 of the Public Utilities Act effective on the closing of the proposed Asset Purchase and that its certificates are as follows:

CERTIFICATE OF INTEREXCHANGE SERVICE AUTHORITY

IT IS HEREBY CERTIFIED that Citizens Telecommunications Company of Illinois, an Illinois corporation, is authorized pursuant to Section 13-403 of the Public Utilities Act to provide interexchange telecommunications services within the State of Illinois.

CERTIFICATE OF SERVICE AUTHORITY

IT IS HEREBY CERTIFIED that Citizens Telecommunications Company of Illinois, an Illinois corporation, is authorized pursuant to Section 13-404 of the Public Utilities Act to provide resold interexchange telecommunications services and resold local exchange telecommunications services within the State of Illinois.

CERTIFICATE OF EXCHANGE SERVICE AUTHORITY

IT IS HEREBY CERTIFIED that Citizens Telecommunications Company of Illinois, an Illinois corporation, is authorized pursuant to Section 13-405 of the Public Utilities Act to provide facilities based exchange services in the following exchange service areas served by GTE North Incorporated or GTE South Incorporated immediately prior to the closing of the Asset Purchase: Abingdon, Addieville, Albany, Aledo, Alexis, Alpha, Altamont, Andover, Ashley, Bartelso, Basco, Batchtown, Bath, Beecher City, Benld, Biggsville, Bowen, Brownstown, Brussels, Bunker Hill, Carlinville, Carthage, Chadwick, Chesterfield, Coffeen, Coleta, Cordova, Dallas City, Donnellson, Dow, Dubois, East Dubuque, Edgewood, Eliza, Elvaston, Erie, Fairplay, Farina, Ferris, Fieldon, Fillmore, Fulton, Gillespie, Greenview, Gulfport, Hamburg, Hamilton, Hampton, Hardin, Hettick, Hillsdale, Hoffman, Hooppole, Hoyleton, Ina, Irvington, Jerseyville, Joy, Kampsville, Keithsburg, Keyesport, Kilbourne, Kirkwood, Lanark, Little York, London Mills, Lyndon, Mason City, Matherville, Medora, Milledgeville, Monmouth, Morrison, Mount Olive, Mulberry Grove, Nauvoo, New Boston, New Douglas, New Minden, Niota, North Henderson, Oquawka, Patoka, Pittsburg, Polo, Port Byron, Preemption, Prophetstown, Ramsey, Rio, Roseville, Sandoval, Seaton, Shannon, Shattuc, Sherrard, Shumway, Sorento, St. Elmo, St. Peter,

Stronghurst, Sutter, Tamaroa, Tampico, Teutopolis, Thomas, Waltonville, Warsaw, Watson and Woodlawn.

IT IS FURTHER ORDERED that GTE North Incorporated and GTE South Incorporated should be, and further are, authorized to discontinue the provision of non-competitive telecommunications service in the exchanges transferred to Citizens Telecommunications Company of Illinois, upon the consummation of the proposed Asset Purchase.

IT IS FURTHER ORDERED that upon the closing of the Asset Purchase, Citizens Telecommunications Company of Illinois is designated an Eligible Telecommunications Carrier under 47 U.S.C. § 214(e) for its service area consisting of the service area served by GTE North Incorporated and GTE South Incorporated that is the subject of this Asset Purchase.

IT IS FURTHER ORDERED that Citizens Telecommunications Company of Illinois is granted permission pursuant to 83 Illinois Administrative Code Part 250 to keep its books and records outside the State of Illinois.

IT IS FURTHER ORDERED that Citizens Telecommunications Company of Illinois should comply with the requirements of Finding 10 above.

IT IS FURTHER ORDERED that Citizens Telecommunications Company of Illinois should adhere to the provisions to which it agreed as set forth in Finding 12 above.

IT IS FURTHER ORDERED that any materials submitted in this proceeding for which proprietary treatment was requested shall be accorded such treatment.

IT IS FURTHER ORDERED that Citizens Telecommunications Company of Illinois shall file with the Commission any necessary tariffs, consisting of its rates, rules and regulations, as approved in this Order, to be effective upon the consummation of the proposed Asset Purchase, before commencing any of the proposed interexchange or local exchange services.

IT IS FURTHER ORDERED that any petitions, objections or motions made in this docket and not otherwise specifically disposed of herein shall be, and hereby are, disposed of in a manner consistent with the conclusions contained herein.

IT IS FURTHER ORDERED that, subject to the provisions of Section 10-113 of the Public Utilities Act and 83 Illinois Administrative Code 200.880, this order is final, it is not subject to the Administrative Review Law.

By Order of the Commission this 9th day of August, 2000.

(SIGNED) RICHARD L. MATHIAS

Chairman

(S E A L)