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Released: October 27, 2006

## DOMESTIC SECTION 214 APPLICATION FILED FOR THE TRANSFER OF CONTROL OF COMMONWEALTH TELEPHONE ENTERPRISES, INC. TO CITIZENS COMMUNICATIONS COMPANY

### NON-STREAMLINED PLEADING CYCLE ESTABLISHED

WC Docket No. 06-184

**Comments Due: November 10, 2006**

**Reply Comments Due: November 17, 2006**

On September 29, 2006, Commonwealth Telephone Enterprises, Inc. ("Commonwealth") and Citizens Communications Company ("Citizens") (collectively, the "Applicants") filed an application, pursuant to section 63.04 of the Commission's rules,<sup>1</sup> requesting authority to transfer control of Commonwealth<sup>2</sup> to Citizens.<sup>3</sup>

The Applicants did not request presumptive streamlined treatment for this application pursuant to section 63.03 of the Commission's rules, because, in the state of Pennsylvania, Citizens and its subsidiaries have incumbent LEC service areas that are adjacent to incumbent LEC service areas of one or more Commonwealth subsidiaries.<sup>4</sup> Applicants nevertheless request streamlined treatment on a case-by-case approach because immediately following the transaction: (1) Citizens and its subsidiaries,

<sup>1</sup> 47 C.F.R. § 63.04; *see* 47 U.S.C. § 214. On October 16, 2006, the Applicants filed an amendment to their application. *See* Letter from Jeffrey R. Strenkowski, Bingham McCutchen LLP, to Marlene H. Dortch, Secretary, Federal Communications Commission, WC Docket No. 06-184 (filed October 16, 2006) ("Oct. 16 Amendment"). The Applicants are also filing applications for transfer of control associated with authorization for international and wireless services. Any action on this domestic 214 application is without prejudice to Commission action on other related, pending applications

<sup>2</sup> Blanket domestic 214 authority is held by Commonwealth and the following Commonwealth subsidiaries: CTSI, LLC and Commonwealth Long Distance Company. *See* Oct. 16 Amendment at 3.

<sup>3</sup> Blanket domestic 214 authority is held by Citizens, Citizens' incumbent local exchange carrier ("LEC") subsidiaries, and Citizens' subsidiaries Frontier Communications of America, Inc. ("Frontier") and Frontier Communications of Rochester, Inc., which operate as competitive LECs. *See* Oct. 16 Amendment at 2-3.

<sup>4</sup> *See* 47 C.F.R. § 63.03. A map showing the adjacencies is contained in the October 16, 2006 amendment to its application. *See* Oct. 16 Amendment Attachment A.

including Commonwealth, will hold less than a ten percent (10%) share of the interstate, interexchange market; and (2) to the extent Applicants' affiliates (as defined in Section 3(1) of the Communications Act – "Affiliates") are incumbent LECs in other markets, these affiliates have in combination fewer than two (2) percent of the nation's subscriber lines installed in the aggregate nationwide. Because the Applicants have adjacent service areas, this application is not subject to streamlined treatment.

Commonwealth, a Pennsylvania corporation, is a publicly held telecommunications holding company. Through its operating subsidiary, Commonwealth Telephone Company ("CT"), Commonwealth provides telephony and related services in Pennsylvania markets as a rural incumbent LEC. CT, founded in 1897, operates in a rural, approximately 5,000-square-mile territory with a population of approximately 450,000 people, and a line density of approximately 65 access lines per square mile. Approximately three quarters of CT's switched access lines serve residential customers. CT is the nation's 8<sup>th</sup> largest non-Bell incumbent LEC, serving over 323,500 switched access lines as of December 31, 2005. Commonwealth's subsidiary, CTSI, LLC, ("CTSI") currently provides a full array of competitive voice and data telecommunications services mainly to business customers.<sup>5</sup> CTSI holds authority in Pennsylvania to provide competitive local exchange services as a competitive LEC, and provides competitive services in three regional Pennsylvania markets that border CT's markets.<sup>6</sup> CTSI served over 137,600 competitive switched access lines as of December 31, 2005. The following entity owns a 10% or greater direct interest in Commonwealth: American Century Investment Management, Inc. (12%) ("ACIM"), a Delaware company. ACIM is, in turn, wholly-owned by American Century Companies, Inc. ("ACC"), a Delaware corporation. The following entities own a 10% or greater equity interest in ACC:<sup>7</sup> JPMAC Holdings, Inc. (43.21%), a Delaware corporation and Stowers Institute for Resource Development, Inc. (42.52%) ("Institute"), a Missouri non-profit medical research foundation.<sup>8</sup> JPMAC Holdings, Inc. is wholly-owned by J.P. Morgan Chase & Co., a Delaware widely held publicly traded company with no individual shareholder having a 10% or greater interest. The Institute is managed by the following Board of Directors, all U.S. citizens: James E. Stowers III, Richard W. Brown, Robert Peterson, and Allan J. Huber.

Citizens, a Delaware corporation, is a holding company for various operating companies. Citizens provides services to rural areas and small and medium-sized towns and cities as an incumbent LEC under the "Frontier" name.<sup>9</sup> Citizens is the nation's 7<sup>th</sup> largest incumbent LEC serving approximately 2,145,000 telephone access lines. Citizens operates as an incumbent LEC in 24 states<sup>10</sup>

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<sup>5</sup> Commonwealth also owns and operates other telecommunications-related support businesses that all operate in deregulated segments of the telecommunications industry and that support the operations of CT and CTSI, including ePIX Internet Services, and Commonwealth Communications ("CC"), a provider of telecommunications equipment and facilities management services.

<sup>6</sup> WilkesBarre/Scranton/Hazleton, Harrisburg and Lancaster/Reading/York.

<sup>7</sup> The following two U.S. citizens own a 10% or greater voting interest in ACC: James E. Stowers, Jr. (39%) and Virginia G. Stowers, Jr. (18%).

<sup>8</sup> The Institute has no shareholders and no person holds a 10% or greater equity interest in the Institute.

<sup>9</sup> Citizens was incorporated in 1935 as Citizens Utilities Company. On May 18, 2000, the shareholders approved a proposal to change the company's name to "Citizens Communications Company."

<sup>10</sup> Citizens incumbent LEC affiliates operate in 24 states (Alabama, Arizona, California, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Michigan, Minnesota, Mississippi, Montana, Nebraska, Nevada, New Mexico, New York,

and is authorized to provide services in 49 states through its long distance and competitive local subsidiary, Frontier. Citizens directly owns Frontier and Frontier Communications of Rochester, Inc, which operate as competitive LECs and provide interexchange services.<sup>11</sup> Frontier is typically the dominant incumbent carrier in the markets it serves and provides the “last mile” of telecommunications services to residential customers and, to a lesser extent, non-residential customers. Citizens is also in the beginning stages of offering wireless and Voice over Internet Protocol services in certain markets. Citizens is a widely held publicly traded company with no individual shareholder having a 10% or greater interest in Citizen.<sup>12</sup>

The Applicants have entered into an Agreement and Plan of Merger (“Agreement”) dated as of September 17, 2006. Pursuant to the Agreement, in accordance with Pennsylvania and Delaware corporation laws, a newly formed wholly owned subsidiary of Citizens, CF Merger Corp. (“CFMC”) will be merged into Commonwealth, whereupon the separate existence of CFMC will cease and Commonwealth will be the surviving corporation. Citizens will purchase the outstanding common stock of Commonwealth for approximately \$1.16 billion, assuming Commonwealth’s existing convertible debt converts to common shares. No person or entity is expected to have a 10% or greater direct interest in Citizens after the closing of the proposed transaction. Through the purchase of the common shares of Commonwealth, control will be transferred to Citizens.

The Applicants state that the proposed transaction will serve the public interest because the proposed transaction will provide the Applicants with access to each other’s advanced network capabilities, technical and financial strengths and complementary services, which together are expected to strengthen the Applicants’ ability to expand their offerings and provide more advanced telecommunications services to a broader customer base.

## **GENERAL INFORMATION**

The transfer of control identified herein has been found, upon initial review, to be acceptable for filing as a non-streamlined application. The Commission reserves the right to return any transfer of assets application if, upon further examination, it is determined to be defective and not in conformance with the Commission’s rules and policies. Pursuant to sections 1.415 and 1.419 of the Commission’s rules, 47 CFR §§ 1.415, 1.419, interested parties may file comments **on or before November 10, 2006** and reply comments **on or before November 17, 2006**.<sup>13</sup> Comments may be filed using: (1) the Commission’s Electronic Comment Filing System (ECFS), (2) the Federal Government’s eRulemaking

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Ohio, Oregon, Pennsylvania, Tennessee, Utah, West Virginia, and Wisconsin) and serve approximately 2,145,000 telephone access lines.

<sup>11</sup> Applicants state that Citizens currently holds a direct interest in the international section 214 authorization held by Citizens’ subsidiary, Frontier, which is authorized to provide international resale services pursuant to ITC-214-19971202-00753 (listed under the name Visions Long Distance LC; ITC-97-762). Pursuant to a pro forma notice of restructuring of Frontier filed with the Commission on April 29, 2003, Visions Long Distance LC was renamed as Frontier Communications of America Inc. and was merged with FCS, Inc. (ITC-214-19941125-00362) and New North Telecommunications (ITC-214-19960912-00440).

<sup>12</sup> Citizens’ subsidiaries are listed in Appendix A-E to its application.

<sup>13</sup> See 47 C.F.R. § 63.03(a).

Portal, or (3) by filing paper copies. *See Electronic Filing of Documents in Rulemaking Proceedings*, 63 FR 24121 (1998).

- **Electronic Filers:** Comments may be filed electronically using the Internet by accessing the ECFS: <http://www.fcc.gov/cgb/ecfs/> or the Federal eRulemaking Portal: <http://www.regulations.gov>. Filers should follow the instructions provided on the website for submitting comments.
- For ECFS filers, if multiple docket or rulemaking numbers appear in the caption of this proceeding, filers must transmit one electronic copy of the comments for each docket or rulemaking number referenced in the caption. In completing the transmittal screen, filers should include their full name, U.S. Postal Service mailing address, and the applicable docket or rulemaking number. Parties may also submit an electronic comment by Internet e-mail. To get filing instructions, filers should send an e-mail to [ecfs@fcc.gov](mailto:ecfs@fcc.gov), and include the following words in the body of the message, "get form." A sample form and directions will be sent in response.
- **Paper Filers:** Parties who choose to file by paper must file an original and four copies of each filing. If more than one docket or rulemaking number appears in the caption of this proceeding, filers must submit two additional copies for each additional docket or rulemaking number.

Filings can be sent by hand or messenger delivery, by commercial overnight courier, or by first-class or overnight U.S. Postal Service mail (although we continue to experience delays in receiving U.S. Postal Service mail). All filings must be addressed to the Commission's Secretary, Office of the Secretary, Federal Communications Commission.

The Commission's contractor will receive hand-delivered or messenger-delivered paper filings for the Commission's Secretary at 236 Massachusetts Avenue, N.E., Suite 110, Washington, D.C. 20002. The filing hours at this location are 8:00 a.m. to 7:00 p.m. All hand deliveries must be held together with rubber bands or fasteners. Any envelopes must be disposed of before entering the building. Commercial overnight mail (other than U.S. Postal Service Express Mail and Priority Mail) must be sent to 9300 East Hampton Drive, Capitol Heights, MD 20743. U.S. Postal Service first-class, Express, and Priority mail should be addressed to 445 12th Street, S.W., Washington D.C. 20554.

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**You may submit comments, identified by the above noted docket number, by any of the following methods:**

- **Federal eRulemaking Portal:** <http://www.regulations.gov>. Follow the instructions for submitting comments.
- **Federal Communications Commission's Web Site:** <http://www.fcc.gov/cgb/ecfs/>. Follow the instructions for submitting comments.
- **People with Disabilities:** Contact the FCC to request reasonable accommodations (accessible format documents, sign language interpreters, CART, etc.) by e-mail: [FCC504@fcc.gov](mailto:FCC504@fcc.gov) or phone: 202-418-0530 or TTY: 202-418-0432.

**In addition, one copy of each pleading must be sent to each of the following:**

- 1) The Commission's duplicating contractor, Best Copy and Printing, Inc., 445 12th Street, S.W., Room CY-B402, Washington, D.C. 20554, [www.bcpiweb.com](http://www.bcpiweb.com); phone: (202) 488-5300 fax: (202) 488-5563;
- 2) Cecilia Seppings, Competition Policy Division, Wireline Competition Bureau, 445 12th Street, S.W., Room 5-C230, Washington, D.C. 20554; email: [Cecilia.Seppings@fcc.gov](mailto:Cecilia.Seppings@fcc.gov);
- 3) Denise Coca, Competition Policy Division, Wireline Competition Bureau, 445 12th Street, S.W., Room 5-C240, Washington, D.C. 20554; e-mail: [Denise.Coca@fcc.gov](mailto:Denise.Coca@fcc.gov); and
- 4) Jim Bird, Office of General Counsel, 445 12th Street, S.W., Room 8-C824, Washington, D.C. 20554; e-mail: [jim.bird@fcc.gov](mailto:jim.bird@fcc.gov).

Filings and comments are also available for public inspection and copying during regular business hours at the FCC Reference Information Center, Portals II, 445 12th Street, S.W., Room CY-A257, Washington, D.C. 20554. They may also be purchased from the Commission's duplicating contractor, Best Copy and Printing, Inc., Portals II, 445 12th Street, S.W., Room CY-B402, Washington, D.C. 20554, telephone: (202) 488-5300, fax: (202) 488-5563, or via e-mail [www.bcpiweb.com](http://www.bcpiweb.com).

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For further information, please contact Cecilia Seppings at (202) 418-1588, or Denise Coca at (202) 418-0574.