

Filed Session of January 22, 2003
Approved as Recommended
and so Ordered
By the Commission

JANET HAND DEIXLER

Secretary

Issued and Effective February 10, 2003

STATE OF NEW YORK
DEPARTMENT OF PUBLIC SERVICE

December 30, 2002

TO: THE COMMISSION

FROM: OFFICE OF COMMUNICATIONS

SUBJECT: CASE 02-C-1426 - Joint Petition of Citizens Communications Company, Citizens Telecommunications Company, NewOp Communications Corporation and Frontier Communications of America, Inc. for Approval of a Certificate of Merger.

SUMMARY OF

RECOMMENDATION: Staff recommends that the petition be approved.

SUMMARY

By petition filed November 13, 2002, Citizens Communications Company (Citizens), Citizens Telecommunications Company, NewOp Communications Corporation and Frontier Communications of America, Inc. request approval pursuant to Sections 99 and 100 of the Public Service Law (PSL) to merge Frontier Communications of America and NewOp into Citizens Telecommunications Company. Citizens also requests approval to change the name of the combined company to Frontier Communications of America. Citizens currently controls three subsidiaries, Citizens Telecommunications Company, NewOp and Frontier Communications of America, that provide long distance service in New York State and serve local exchange customers of Citizens' subsidiaries. The companies propose merging their operations to improve efficiencies and customer responsiveness.

BACKGROUND

Citizens Telecommunications is a telephone corporation duly organized and existing under the Transportation Corporation Law of the State of New York and has its office and principal place of business located in Stamford, CT. Citizen's certificate of authority to operate as a reseller of telephone services was issued on November 24, 1994.

Frontier Communications of America, Inc. is a telephone corporation duly organized and existing under the Transportation Corporation Law of the State of New York and has its office and principal place of business located in Rochester, NY. The company's certificate of authority to operate as a reseller of telephone services was originally issued on October 28, 1992 to Vision Long Distance New York, Inc. That entity changed its name to Frontier Communications of America and obtained an amended certificate to include facilities-based services on September 25, 2000. Frontier Communications of America also provides competitive local exchange services in the Poughkeepsie LATA.

NewOp is a telephone corporation duly organized and existing under the Transportation Corporation Law of the State of New York and has its office and principal place of business located in Spencerport, NY. NewOp's certificate of authority was issued on July 18, 1995.

PROPOSED TRANSACTION

With Citizens' acquisition of Frontier in June 2001, it has three subsidiaries (NewOp, Citizens Telecommunications and Frontier Communications of America) offering long distance services in New York State and serving the local exchange customers of Citizens' subsidiaries. During the past 15 months, the long distance product offerings, pricing and promotional activities of the companies have become more synchronized. The Board of Directors for the companies has determined that it would be advantageous to the shareholders and the customers of the companies to merge and consolidate the three subsidiaries that provide similar long distance services.

If the merger is approved, Citizens Telecommunications Company will acquire all of the outstanding shares of capital stock of Frontier Communications of America and NewOp. As of the effective date of the merger, all of the issued and outstanding shares of Frontier Communications of America and NewOp Communications shall cease to exist and be cancelled. Citizens Telecommunications Company will then control the entirety of both the Citizens and Frontier long distance services.

Simultaneous with the merger transaction, Frontier Communications of America will transfer its certificate to operate as a facilities-based common carrier and reseller of telephone services to Citizens Telecommunications Company, NewOp will relinquish its certificate as a reseller of telephone service, and Citizens Telecommunications Company will change its name to "Frontier Communications of America."

The companies believe that the merger will help create a critical mass of employees, customers and technology. The increased size will help the companies to eliminate numerous inefficiencies associated with operating three similar long distance entities and to focus on the combined customer base.

DISCUSSION

The proposed transaction will not affect the regulatory authority of the Commission over the combined entity or operations. No new certificate of authority is necessary. The combined entity will continue to operate under the terms of the certificate of authority issued to Frontier Communications of America. The Frontier Communications of America, Citizens Telecommunications Company and NewOp tariff pricing, terms and conditions will be incorporated into one combined interexchange tariff and there will be no term or rate changes to existing customers as a direct result of the merger. The existing local exchange and intrastate access tariffs of Frontier Communications of America will remain in effect for the new combined entity.

The proposed merger should cause no adverse impact upon any of the company's customers. For the customers currently served by Frontier Communications of America, the transaction will be transparent. For customers currently served by

Citizens Telecommunications Company or NewOp, the only change will be the name of the entity providing long distance service to Frontier Communications of America. Customers will be notified of the name change.

CONCLUSION

Based upon the representations in the petition, the proposed transaction is in the public interest.

RECOMMENDATION

It is recommended that:

1. The joint petition for the merger of Citizens Telecommunications Company, NewOp Communications Corporation and Frontier Communications of America, Inc. be approved and a Certificate of Merger issued.
2. The name of the combined company be changed to Frontier Communications of America, NewOp's certificate of authority to operate as a reseller of telephone services be relinquished, and the transfer of the facilities-based common carrier authority from Frontier Communications of America to Citizens Telecommunications Company be approved with the transaction closing.
3. The proceeding be continued.

Respectfully submitted,

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APPROVED:

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