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August 10, 2000

<u>VIA HAND DELIVERY</u>
Mr. K. David Waddell
Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243-0505

Re: ***All Telephone Companies Tariff Filings Regarding Reclassification of Pay Telephone Service as Required By Federalcommunications Commission (FCC) Docket 96-128)***
Docket No.97-00409.

Dear Mr. Waddell:

Enclosed please find the original and thirteen (13) copies of the Response of Concord Telephone Exchange, Inc., Humphreys County Telephone Company, Tellico Telephone Company, Inc., and Tennessee Telephone Company to Objection of Tennessee Payphone Owners Association of the Hearing Officer's Order of July 31, 2000.

If you have any questions, please do not hesitate to contact me.

Best regards.

Very truly yours,

R. D. Grimes

R. Dale Grimes

RDG/gci
Enclosures
cc: Service List
Mr. Bruce Mottern
Ms. Linda Lowrance

2132817.1

BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

IN RE:	)	
	)	
ALL TELEPHONE COMPANIES	)	
TARIFF FILINGS REGARDING	)	Docket No. 97-00409
RECLASSIFICATION OF PAY TELEPHONE	)	
SERVICE AS REQUIRED BY FEDERAL	)	
COMMUNICATIONS COMMISSION (FCC)	)	
DOCKET 96-128	)	

RESPONSE OF CONCORD TELEPHONE EXCHANGE, INC., HUMPHREYS COUNTY TELEPHONE COMPANY, TELLICO TELEPHONE COMPANY, INC., AND TENNESSEE TELEPHONE COMPANY TO OBJECTION OF TENNESSEE PAYPHONE OWNERS ASSOCIATION OF THE HEARING OFFICER'S ORDER OF JULY 31, 2000

Concord Telephone Exchange, Inc., Humphreys County Telephone Company, Tellico Telephone Company, Inc., and Tennessee Telephone Company, all wholly-owned subsidiaries of TDS TELECOM (collectively, "TDS" or the "TDS Companies"), respectfully respond to the objection of the Tennessee Payphone Owners Association ("TPOA") to the Hearing Officer's Order of July 31, 2000.

TPOA objects that the Hearing Officer did not decide to add the TDS Companies to this docket along with BellSouth, United Telephone-Southeast, and Citizens, rather than including TDS in the payphone docket for the state's smaller local exchange carriers, Docket No. 97-01181. The TDS Companies respectfully submit that the Hearing Officer made an appropriate determination, and his decision should be sustained by the Authority.

TPOA's objection has two bases. First, TPOA argues that the combination of the TDS Companies in Tennessee results in an entity larger than Citizens in terms of access lines in Tennessee. TPOA argues accordingly that it makes no sense to include Citizens and not the TDS Companies in the docket for the larger companies. TPOA further argues that the fact that Citizens (along with BellSouth and United Telephone-Southeast) is a price-cap regulation company while the TDS Companies remain under rate-based regulations is not a meaningful distinction for purposes of determining which of the payphone dockets should include the TDS Companies. Second, TPOA alleges that one of the TDS Companies, Tennessee Telephone Company, has payphone line rates that are "exorbitant," as much as $100 per month for a single "POTS" type line. TPOA asserts that, accordingly, the payphone line rates of the TDS Companies should be addressed in the present docket and not await the commencement of proceedings in Docket No. 97-01181.

The TDS Companies respectfully submit that TPOA's objection should be overruled, and the Hearing Officer's Order of July 31, 2000, should be affirmed because (1) TPOA's grounds rest on an inaccurate factual basis, and (2) TPOA has given no reason not to include the TDS Companies among the smaller, rural LECs as they traditionally have been in proceedings before this Authority.

First, it is inaccurate to assert that the TDS Companies combined are larger than Citizens. According to the most recent filings with the Authority, in Tennessee, Citizens has in excess of 103,000 access lines, while all the TDS Companies combined have right at 100,000 lines. More importantly, however, when considered on a nationwide basis, the distinction between Citizens and the TDS Companies, is starkly apparent. According to published information, Citizens currently has over one million customers, and has agreements to acquire over two million additional access lines during the next twelve months, for a toal in excess of three million access lines. See Exhibit A. In sharp contrast, TDS Telecom operating companies have approximately 580,000 access lines nationwide.

TPOA tries to make a point out of its assertion that affiliates of the TDS Companies serve rapidly growing suburban areas southeast of Nashville and in western Knox County. However, TPOA does not mention that most of the TDS Companies' service areas are in small, rural communities, such as Parsons, Clifton, Collinwood, Cornersville, Waynesboro, Scottsville, and Humphreys County. The abiding character of the TDS Companies' service areas in Tennessee is small and rural.

Moreover, the Hearing Officer made an appropriate distinction between LEC's operating under price-cap regulation and those operating under rate-of-return regulation. Price cap companies can, within the aggregate limits set by TCA §§ 65-5-209(e) and (f), increase prices for other services to offset any reductions ordered for payphone access line rates in this docket. Rate of return regulated companies cannot. In order for the TDS Companies to offset any revenue reductions created by a reduction in payphone access line rates, it would have to commence a rate case before this Authority to seek an increase in other rates. Thus, it is a more prudent course to allow the TDS Companies to address payphone access line rates in the subsequent proceedings in Docket No. 97-01181 so that the impact of any rate adjustments can be approached carefully in the best interests of the company and its customers.

Finally, given the fact that the TDS Companies are not in the same league with Citizens, United Telephone-Southeast, and BellSouth, based on their sizes nationwide, it cannot be said, as TPOA tries, that it would be no more burdensome on the TDS Companies than Citizens to produce cost studies to support proposed rates for payphone access lines. The TDS Companies cannot speak to the burden on Citizens, but for TDS it clearly would be a tremendous burden of time and expense to create the models and studies necessary to support payphone rates. These items would require a great deal of detailed information gathering and review that would take a substantial amount of time. Thus, the statement of the Hearing Officer in his original Order of June 6, 1997, establishing a separate docket for the smaller companies, still holds true for all the smaller companies, including TDS: "The Motion having been considered by the Hearing Officer and all evidence and information in the record having been examined, the Hearing Officer finds that the information presented on the costs for the necessary financial studies required in the case could be too great for the smaller companies to support." Moreover, the similar statement in the Hearing Officer's Order of July 31, 2000, is equally fitting: "[N]o party has provided the Pre-Hearing Officer with any compelling reason to overturn the June 6, 1997 Order separating the dockets. Moreover, it is the opinion of the Pre-Hearing Officer that the parties to Docket No. 97-01181 should be spared the expense of preparing and producing cost studies for the sole purpose of establishing pay telephone rates."

TPOA's second ground for its objection is equally inaccurate. TPOA charges that payphone rates of one of the TDS Companies are "exorbitantly high, as much as $100 per month for a single 'POTS' type line." Based upon the TDS Companies' tariffed rates in Tennessee, that is not true. The pay station monthly tariff rates for TDS range from only $9.38 for Humphreys County Telephone Company to $57.75 for some of Tennessee Telephone Company's exchanges. Moreover, a number of exchanges within Tennessee Telephone Company, including all those with the tariffed flat rate of $57.75, offer an optional tariffed Local Measured Service ("LMS") alternative of $19.25 plus $0.10 per message. A majority of the pay stations in these exchanges are billed on this optional basis. Accordingly, there are no tariff monthly rates of the magnitude asserted by TPOA in its objection, and this provides no justification for requiring the TDS Companies to bear the burden that full participation in this docket would entail.

For all of the foregoing reasons, the TDS Companies respectfully submit that the objection of TPOA should be overruled, and the Hearing Officer's Order of July 31, 2000 should be affirmed.

Respectfully submitted,

R. Dale Grimes

R. Dale Grimes (#6203)
T. G. Pappas (#2703)
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(615) 742-6244

Attorneys for Concord Telephone Exchange, Inc., Humphreys County Telephone Company, Tellico Telephone Company, Inc., and Tennessee Telephone Company

CERTIFICATE OF SERVICE

I hereby certify that I have served a true and exact copy of the foregoing Response of Concord Telephone Exchange, Inc., Humphreys County Telephone Company, Tellico Telephone Company, Inc., and Tennessee Telephone Company to Objection of Tennessee Payphone Owners Association of the Hearing Officer's Order of July 31, 2000, by U.S. mail, postage prepaid, this 10 day of August, 2000, upon the following:

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R.D. Grimes

R. Dale Grimes

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Tuesday August 8, 8:21 pm Eastern Time

Press Release

Citizens Communications Reports Financial Results for the Second Quarter of 2000

STAMFORD, Conn.--(BUSINESS WIRE)--Aug. 8, 2000--Citizens Communications (NYSE:CZN - news) today reported financial results for the quarter and six months ended June 30, 2000.

Second quarter revenue from continuing operations was $287.3 million, up 5% from $273.9 million in the second quarter of 1999.

Revenue from the company's incumbent local exchange carrier business was $227.4 million, compared to $228.6 million for the 1999 second quarter, which contained an aggregate of $4.4 million of non-recurring items. Absent these non-recurring items, revenue for the second quarter of 1999 was $224.2 million. Giving effect to the non-recurring items in the quarter ended June 30, 1999, revenue increased by $3.2 million, or 1.4%.

Second quarter revenue from the company's competitive local exchange carrier subsidiary, Electric Lightwave, Inc. (NASDAQ:ELIX - news), totaled $60.6 million compared to $46.1 million, an increase of $14.5 million or 32% above the prior year period.

Consolidated second quarter 2000 EBITDA (earnings before interest, taxes, depreciation and amortization) from continuing operations was $98.0 million, up 31% from $74.7 million in the prior year quarter.

Local exchange carrier business EBITDA for the quarter was $99.2 million, up 9% from $90.9 million in the prior year period. Second quarter 2000 local exchange carrier EBITDA included $7.6 million of assimilation expense related to the pending acquisitions of telephone access lines. Absent this expense EBITDA increased to $106.8 million, an increase of $15.8 million or 17%, resulting in an EBITDA margin of 47% compared to 40% in the prior year period.

Electric Lightwave's second quarter EBITDA loss declined to $1.4 million, a $15.3 million improvement over the $16.7 million loss for the corresponding prior year quarter.

EXHIBIT

A

Citizens' net income for the second quarter was $3.0 million, or 1 cent per share, compared to net income of $7.8 million, or 3 cents per share in the second quarter of 1999.

Net income for the six months ended June 30, 2000 was $10.3 million or 4 cents per share, compared to $62.4 million or 24 cents per share for the first six months of 1999. Net income for the year ago period included a $42.9 million gain (net of tax) on the sale of an investment.

Compared to the prior year periods, net income for the quarter and six months ended June 30, 2000 was affected by higher depreciation and amortization expense of $14.7 million and $35.5 million, respectively, as well as higher interest expense of $14.9 million and $24.9 million, respectively. The higher interest expense in both periods was primarily due to increased debt levels at Electric Lightwave.

Commenting on the quarter, Citizens' chairman and chief executive officer Leonard Tow said, ``Our results continue on EBITDA targets as we transition Citizens to a higher EBITDA margin business. The significant progress we are making toward this goal can be seen in the improved performance at our core telephone operations and at Electric Lightwave.''

Citizens Communications provides telecommunications services to more than 1 million customers in 14 states. In 1999 and 2000, Citizens agreed to purchase over 2 million additional access lines in 19 states. The first of these transactions, in Nebraska, closed on June 30; the remainder will continue to close throughout the next 12 months. Citizens also owns 83% of Electric Lightwave, Inc. (NASDAQ:ELIX - news), a facilities-based, integrated communications provider that offers a broad range of services to telecommunications-intensive businesses throughout the United States. More information about Citizens can be found at www.czn.net.

This document contains forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied in the statements. These and all forward-looking statements (including oral representations) are only predictions or statements of current plans that are constantly under review by the company. All forward-looking statements may differ from actual results because of, but not limited to, changes in the local and overall economy, changes in market conditions for debt and equity securities, the nature and pace of technological changes, the number and effectiveness of competitors in the company's markets, success in overall strategy, changes in legal or regulatory policy, changes in legislation, the company's ability to identify future markets and successfully expand existing ones, the mix of products and services offered in the company's target markets, the effects of acquisitions and dispositions and the ability to effectively integrate businesses acquired. These important factors should be considered in evaluating any statement contained herein and/or made by the company or on its behalf. The foregoing information should be read in conjunction with the company's filings with the U.S. Securities and Exchange Commission including, but not limited to, reports on Forms 10-K and 10-Q. The company does not intend to update or revise these forward-looking statements to reflect the occurrence of future events or circumstances.

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              Citizens Communications
            Consolidated Financial Data
                    (unaudited)

                           For the quarter ended
                                 June 30,
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(Amounts in thousands - except per-share amounts)	2000	1999	% Change
Income Statement Data (1)			
Revenue from continuing operations	$287,324	$273,946	5%
Operating income from continuing operations	23,568	14,971	57%
Income from discontinued operations, net of tax	3,399	247	1276%
Net income (2)	3,012	7,753	-61%
EBITDA and Capital Expenditure Data (3)			
EBITDA from continuing operations before acquisition assimilation expenses (4)	$105,659	$ 74,734	41%
EBITDA from continuing operations	98,042	74,734	31%
EBITDA from discontinued operations	34,004	33,170	3%
Total Company EBITDA	132,046	107,904	22%
Per Share Data (5)			
Basic net income per share of common stock (2)	$ 0.01	$ 0.03	-67%
EBITDA per share from continuing operations before acquisition assimilation expenses	0.40	0.29	39%
EBITDA per share from continuing operations	0.37	0.29	28%
EBITDA per share from discontinued operations	0.13	0.13	0%
Total Company EBITDA per share	0.50	0.41	22%
Weighted average shares outstanding	263,762	260,059	1%

	For the six months ended June 30,		
(Amounts in thousands - except per-share amounts)	2000	1999	% Change
Income Statement Data (1)			
Revenue from continuing operations	$569,779	$538,696	6%
Operating income from continuing operations	36,360	22,103	65%
Income from discontinued operations, net of tax	15,846	13,482	18%
Net income (2)	10,338	19,483	-47%
EBITDA and Capital Expenditure Data (3)			
EBITDA from continuing operations before acquisition assimilation expenses	$205,130	$143,751	43%
EBITDA from continuing operations	193,539	143,751	35%
EBITDA from discontinued operations	81,171	76,117	7%
Total Company EBITDA	274,710	219,868	25%

Per Share Data (5)			
Basic net income per share of common stock (2)	$ 0.04	$ 0.07	-43%
EBITDA per share from continuing operations before acquisition assimilation expenses	0.78	0.55	41%
EBITDA per share from continuing operations	0.74	0.55	35%
EBITDA per share from discontinued operations	0.31	0.29	7%
Total Company EBITDA per share	1.04	0.85	22%
Weighted average shares outstanding	263,246	259,879	1%

(1) Continuing operations are comprised of the Company's Telecommunications and our Competitive Local Exchange Carrier (Electric Lightwave, Inc.) businesses. The Company is reporting its Public Services businesses as discontinued operations.
(2) The six months ended June 30, 1999 excludes the gain on sale of investment of $42.9 million (net of tax) or 17 cents per share.
(3) EBITDA is operating income plus depreciation and amortization.
(4) Represents expenses associated with the pending acquisitions of approximately 2 million telephone access lines.
(5) Calculated based on weighted average shares outstanding.

Contact:

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