

ORIGINAL

citizenstelecom

FEDERAL EXPRESS

March 25, 1996

Florida Public Service Commission
Division of Administration
2540 Shumard Oak Blvd.
Gunter Building
Tallahassee, Florida 32399-0850

960379-TI

Re: Citizens Telecommunications Company-
Interexchange Telecommunications Application

Dear Sir or Madam:

Enclosed are the original and six copies of the interexchange telecommunications application of Citizens Telecommunications Company.

A check in the amount of \$250.00, drawn to the Commission's order, is also enclosed for the requisite filing fee.

An extra copy of this filing is included for date stamping and return in the enclosed, self-addressed and postage prepaid envelope.

Please direct any questions regarding this application to the undersigned counsel for Citizens Telecom.

Yours very truly,



Richard M. Tettelbaum

Check received with filing and forwarded to Fiscal for deposit. Fiscal to forward a copy of check to RAR with proof of deposit.

Initials of person who forwarded check:

A. Johnson

Suite 500
1400 16th Street, N.W.
Washington, DC 20036
Office: 202-462-3922
Fax: 202-462-3788

RECEIVED
FLORIDA PUBLIC
SERVICE COMMISSION
MAIL ROOM
96 MAR 26 AM 9:38

RECEIVED & FILED
FPSC-BUREAU OF RECORDS

DOCUMENT NUMBER-DATE
03594 MAR 26 96
FPSC-RECORDS/REPORTING

Richard M. Tettebaum
Senior Attorney

ORIGINAL

citizens!elecom

FEDERAL EXPRESS

March 25, 1996

Florida Public Service Commission
Division of Administration
2540 Shumard Oak Blvd.
Gunter Building
Tallahassee, Florida 32399-0850

DEPOSIT TREAS. REC: DATE
0278 MAR 26 '96

Re: Citizens Telecommunications Company-
Interexchange Telecommunications Application

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Please direct any questions regarding this application to the undersigned counsel for Citizens Telecom.

Yours very truly,

[Handwritten Signature]

**CITIZENS UTILITIES
Working Fund Account**

62-26 130011
311

March 25, 19 96

\$ 250.00

ORDER OF Florida Public Service Commission

Hundred Fifty Dollars Only DOLLARS

VOID AFTER SIX MONTHS

Re: Interexchange Telecommunications
Application

[Handwritten Signature]

CHEMICAL BANK OF DELAWARE
1201 MARKET STREET
WILMINGTON, DELAWARE 19801

ORIGINAL

citizenstelecom

FEDERAL EXPRESS

March 25, 1996

Florida Public Service Commission
Division of Administration
2540 Shumard Oak Blvd.
Gunter Building
Tallahassee, Florida 32399-0850

DEPOSIT TREAS. REC. DATE
D278 MAR 26 '96

Re: Citizens Telecommunications Company-
Interexchange Telecommunications Application

5042000
2405 Tech Center Blvd
Washington DC 20036
Office 202 392 5922
Fax 202 392 7724

Dear Sir or Madam:

Enclosed are the original and six copies of the interexchange telecommunications application of Citizens Telecommunications Company.

A check in the amount of \$250.00, drawn to the Commission's order, is also enclosed for the requisite filing fee.

An extra copy of this filing is included for date stamping and return in the enclosed, self-addressed and postage prepaid envelope.

Please direct any questions regarding this application to the undersigned counsel for Citizens Telecom.

Yours very truly,



Richard M. Tettelbaum

RECEIVED
FEDERAL PUBLIC
SERVICE COMMISSION
96 MAR 26 AM 9 38
MAILROOM



APPLICATION FORM
FOR AUTHORITY TO
PROVIDE
INTEREXCHANGE
TELECOMMUNICATION
SERVICE WITHIN THE
STATE OF FLORIDA

**** FLORIDA PUBLIC SERVICE COMMISSION *****DIVISION OF COMMUNICATIONS**
BUREAU OF SERVICE EVALUATION**APPLICATION FORM**
for
AUTHORITY TO PROVIDE INTEREXCHANGE TELECOMMUNICATIONS SERVICE
WITHIN THE STATE OF FLORIDA**Instructions**

- A. This form is used for an original application for a certificate and for approval of sale, assignment or transfer of an existing certificate. In case of a sale, assignment or transfer, the information provided shall be for the purchaser, assignee or transferee (See Appendix A).
- B. Respond to each item requested in the application and appendices. If an item is not applicable, please explain why.
- C. Use a separate sheet for each answer which will not fit the allotted space.
- D. If you have questions about completing the form, contact:
- E. Once completed, submit the original and six (6) copies of this form along with a non-refundable application fee of \$250.00 to:

Florida Public Service Commission
 Division of Communications
 Bureau of Service Evaluation
 2540 Shumard Oak Blvd.
 Gunter Building
 Tallahassee, Florida 32399-0850
 (904) 413-6600

Florida Public Service Commission
 Division of Administration
 2540 Shumard Oak Blvd.
 Gunter Building
 Tallahassee, Florida 32399-0850
 (904) 413-6251

FORM PSC/CMU 31 (11/95)

Required by Commission Rule Nos. 25-24.471, 25-24.473, and 25-24.480(2).

DOCUMENT NUMBER-DATE

03594 MAR 26 1995

FPSC-RECORDS/REPORTING

1. This is an application for (check one):
- Original Authority** (New company).
 - Approval of Transfer** (To another certificated company).
 - Approval of Assignment of existing certificate** (To an uncertificated company).
 - Approval for transfer of control** (To another certificated company).
2. Select what type of business your company will be conducting (check all that apply):
- Facilities based carrier** - company owns and operates or plans to own and operate telecommunications switches and transmission facilities in Florida.
 - Operator Service Provider** - company provides or plans to provide alternative operator services for IXCs; or toll operator services to call aggregator locations; or clearinghouse services to bill such calls.
 - Reseller** - company has or plans to have one or more switches but primarily leases the transmission facilities of other carriers. Bills its own customer base for services used.
 - Switchless Rebiller** - company has no switch or transmission facilities but may have a billing computer. Aggregates traffic to obtain bulk discounts from underlying carrier. Rebills end users at a rate above its discount but generally below the rate end users would pay for unaggregated traffic.
 - Multi-Location Discount Aggregator** - company contracts with unaffiliated entities to obtain bulk/volume discounts under multi-location discount plans from certain underlying carriers. Then offers the resold service by enrolling unaffiliated customers.

3. Name of corporation, partnership, cooperative, joint venture or sole proprietorship:
Citizens Telecommunications Company
4. Name under which the applicant will do business (fictitious name, etc.):
Citizens Telecom
5. National address (including street name & number, post office box, city, state and zip code).
3 High Ridge Park
Stamford, Connecticut 06905
6. Florida address (including street name & number, post office box, city, state and zip code):
None
7. Structure of organization;
- Individual Corporation
 Foreign Corporation Foreign Partnership
 General Partnership Limited Partnership
 Other, _____
8. If applicant is an individual or partnership, please give name, title and address of sole proprietor or partners.
- (a) Provide proof of compliance with the foreign limited partnership statute (Chapter 620.169 FS), if applicable.
- (b) Indicate if the individual or any of the partners have previously been:
- (1) adjudged bankrupt, mentally incompetent, or found guilty of any felony or of any crime, or whether such actions may result from pending proceedings.
- (2) officer, director, partner or stockholder in any other Florida certificated telephone company. If yes, give name of company and relationship. If no longer associated with company, give reason why not.

9. If incorporated, please give:

- (a) Proof from the Florida Secretary of State that the applicant has authority to operate in Florida.

Corporate charter number: F95000002696

- (b) Name and address of the company's Florida registered agent.

- (c) Provide proof of compliance with the fictitious name statute (Chapter 865.09 FS), if applicable.

Fictitious name registration number: G96061900035

- (c) Indicate if any of the officers, directors, or any of the ten largest stockholders have previously been:

NONE

- (1) adjudged bankrupt, mentally incompetent, or found guilty of any felony or of any crime, or whether such actions may result from pending proceedings.

NONE

- (2) officer, director, partner or stockholder in any other Florida certificated telephone company. If yes, give name of company and relationship. If no longer associated with company, give reason why not.

10. Who will serve as liaison with the Commission in regard to (please give name, title, address and telephone number): See Attachment 10

- (a) The application;
- (b) Official Point of Contact for the ongoing operations of the company;
- (c) Tariff;

(d) Complaints/Inquiries from customers;

11. List the states in which the applicant: See Attachment 11

- (a) Has operated as an interexchange carrier.
- (b) Has applications pending to be certificated as an interexchange carrier.
- (c) Is certificated to operate as an interexchange carrier.
- (d) Has been denied authority to operate as an interexchange carrier and the circumstances involved.
- (e) Has had regulatory penalties imposed for violations of telecommunications statutes and the circumstances involved.
- (f) Has been involved in civil court proceedings with an interexchange carrier, local exchange company or other telecommunications entity, and the circumstances involved.

12. What services will the applicant offer to other certificated telephone companies:

- Facilities. Operators.
- Billing and Collection. Sales.
- Maintenance.
- Other: None at this time

13. Do you have a marketing program?

Yes

14. Will your marketing program:

- Pay commissions?
- Offer sales franchises?
- Offer multi-level sales incentives?
- Offer other sales incentives?

15. Explain any of the offers checked in question 14 (To whom, what amount, type of franchise, etc.).

Citizens Telecom has an employed sales force which is compensated through the payment of sales commissions.

16. Who will receive the bills for your service (Check all that apply)?

- Residential customers. Business customers.
- PATS providers. PATS station end-users.
- Hotels & motels. Hotel & motel guests.
- Universities. Univ. dormitory residents.
- Other: (specify) _____.

17. Please provide the following (if applicable):

- (a) Will the name of your company appear on the bill for your services, and if not who will the billed party contact to ask questions about the bill (provide name and phone number) and how is this information provided?

Citizens Telecom's name will appear on its billings.

- (b) Name and address of the firm who will bill for your service.

Profitech, P.O. Box 4519, Yaleville, CT 06492

18. Please provide all available documentation demonstrating that the applicant has the following capabilities to provide interexchange telecommunications service in Florida.

A. Financial capability. See Attachment 18

Regarding the showing of financial capability, the following applies:

The application should contain the applicant's financial statements, including:

1. the balance sheet
2. income statement
3. statement of retained earnings for the most recent 3 years.

If available, the financial statements should be audited financial statements.

If the applicant does not have audited financial statements, it shall be so stated. The unaudited financial statements should then be signed by the applicant's chief executive officer and chief financial officer. The signatures should affirm that the financial statements are true and correct.

B. Managerial capability. See Attachment 18

C. Technical capability. See Attachment 18

19. Please submit the proposed tariff under which the company plans to begin operation. Use the format required by Commission Rule 25-24.485 (example enclosed).

See Attachment 19

20. The applicant will provide the following interexchange carrier services (Check all that apply):

MTS with distance sensitive per minute rates
 Method of access is FGA
 Method of access is FGB
 Method of access is FGD
 Method of access is 800

MTS with route specific rates per minute
 Method of access is FGA
 Method of access is FGB
 Method of access is FGD
 Method of access is 800

MTS with statewide flat rates per minute (i.e. not distance sensitive)

Method of access is FGA
 Method of access is FGB
 Method of access is FGD
 Method of access is 800

MTS for pay telephone service providers

Block-of-time calling plan (Reach out Florida, Ring America, etc.).

800 Service (Toll free)

WATS type service (Bulk or volume discount)
 Method of access is via dedicated facilities
 Method of access is via switched facilities

Private Line services (Channel Services)
 (For ex. 1.544 mbs., DS-3, etc.)

Travel Service
 Method of access is 950
 Method of access is 800

900 service

Operator Services
 Available to presubscribed customers
 Available to non presubscribed customers (for example to patrons of hotels, students in universities, patients in hospitals.
 Available to inmates

Services included are:

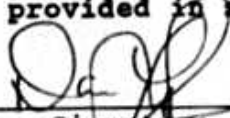
Station assistance
 Person to Person assistance
 Directory assistance
 Operator verify and interrupt
 Conference Calling

21. What does the end user dial for each of the interexchange carrier services that were checked in services included (above).
"1+" for MTS and 800 access and "0+" for operator access
22. **Other:**

**** APPLICANT ACKNOWLEDGEMENT STATEMENT ****

1. **REGULATORY ASSESSMENT FEE:** I understand that all telephone companies must pay a regulatory assessment fee in the amount of .15 of one percent of its gross operating revenue derived from intrastate business. Regardless of the gross operating revenue of a company, a minimum annual assessment fee of \$50 is required.
2. **GROSS RECEIPTS TAX:** I understand that all telephone companies must pay a gross receipts tax of two and one-half percent on all intra and interstate business.
3. **SALES TAX:** I understand that a seven percent sales tax must be paid on intra and interstate revenues.
4. **APPLICATION FEE:** A non-refundable application fee of \$250.00 must be submitted with the application.
5. **RECEIPT AND UNDERSTANDING OF RULES:** I acknowledge receipt and understanding of the Florida Public Service Commission's Rules and Orders relating to my provision of interexchange telephone service in Florida. I also understand that it is my responsibility to comply with all current and future Commission requirements regarding interexchange service.
6. **ACCURACY OF APPLICATION:** By my signature below, I the undersigned owner or officer of the named utility in the application, attest to the accuracy of the information contained in this application and associated attachments. I have read the foregoing and declare that to the best of my knowledge and belief, the information is a true and correct statement.
Further, I am aware that pursuant to Chapter 837.06, Florida Statutes, "Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree, punishable as provided in s. 775.082 and s. 775.083".

UTILITY OFFICIAL:


Signature

3/18/96
Date

Vice President - DAN LAZAREK
VICE PRESIDENT
Title

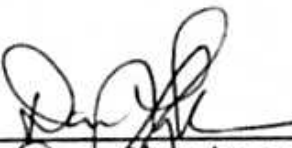
Telephone No.

**** APPENDIX B ******CUSTOMER DEPOSITS AND ADVANCE PAYMENTS**

A statement of how the Commission can be assured of the security of the customer's deposits and advance payments may be responded to in one of the following ways (applicant please check one):

- (X) The applicant will not collect deposits nor will it collect payments for service more than one month in advance.
- () The applicant will file with the Commission and maintain a surety bond in an amount equal to the current balance of deposits and advance payments in excess of one month. (Bond must accompany application.)

UTILITY OFFICIAL:



 Signature
 DAN LAZAREK

 VICE PRESIDENT

 Title

3/18/96

Date

Telephone No.

**** APPENDIX C ****

INTRASTATE NETWORK

-NONE-

Applicant's immediate plans are to operate as a switchless reseller.

1. POP: Addresses where located, and indicate if owned or leased.

1) 2)

3) 4)

2. SWITCHES: Address where located, by type of switch, and indicate if owned or leased.

1) 2)

3) 4)

3. TRANSMISSION FACILITIES: Pop-to-Pop facilities by type of facilities (microwave, fiber, copper, satellite, etc.) and indicate if owned or leased.

1) <u>POP-to-POP</u>	<u>TYPE</u>	<u>OWNERSHIP</u>
----------------------	-------------	------------------

2)

4. ORIGINATING SERVICE: Please provide the list of exchanges where you are proposing to provide originating service within thirty (30) days after the effective date of the certificate (Appendix D).

FORM PSC/CMU 31 (11/95)

Required by Commission Rule Nos. 25-24.471, 25-24.473, and 25-24.480(2).

5. **TRAFFIC RESTRICTIONS:** Please explain how the applicant will comply with the EAEA requirements contained in Commission Rule 25-24.471 (4) (a) (copy enclosed).

Applicant is reselling the intrastate services of facilities-based carriers who, in turn, will take the steps to meet any such requirements.

6. **CURRENT FLORIDA INTRASTATE SERVICES:** Applicant has () or has not (X) previously provided intrastate telecommunications in Florida. If the answer is has, fully describe the following:

a) What services have been provided and when did these services begin?

b) If the services are not currently offered, when were they discontinued?

UTILITY OFFICIAL:



Signature

3/18/96

Date

DAN LAZAREK

VICE PRESIDENT

Title

Telephone No.

**** APPENDIX D ****

FLORIDA TELEPHONE EXCHANGES

AND

EAS ROUTES

APPLICANT WILL SERVE ALL EXCHANGE AREAS.

Describe the service area in which you hold yourself out to provide service by telephone company exchange. If all services listed in your tariff are not offered at all locations, so indicate.

In an effort to assist you, attached is a list of major exchanges in Florida showing the small exchanges with which each has extended area service (EAS).

**** FLORIDA EAS FOR MAJOR EXCHANGES ****

<u>Extended Service Area</u>	<u>with</u>	<u>These Exchanges</u>
PENSACOLA:		Cantonment, Gulf Breeze Pace, Milton Holley-Navarre.
PANAMA CITY:		Lynn Haven, Panama City Beach, Youngstown-Fountain and Tyndall AFB.
TALLAHASSEE:		Crawfordville, Havana, Monticello, Panacea, Sopchoppy and St. Marks.
JACKSONVILLE:		Baldwin, Ft. George, Jacksonville Beach, Callahan, Maxville, Middleburg Orange Park, Ponte Vedra and Julington.
GAINESVILLE:		Alachua, Archer, Brooker, Hawthorne, High Springs, Melrose, Micanopy, Newberry and Waldo.
OCALA:		Belleview, Citra, Dunnellon,

Forest Lady Lake (B21),
McIntosh, Oklawaha,
Orange Springs, Salt Springs and
Silver Springs Shores.

DAYTONA BEACH:

New Smyrna Beach.

TAMPA:

Central None
East Plant City
North Zephyrhills
South Palmetto
West Clearwater

CLEARWATER:

St. Petersburg, Tampa-West and
Tarpon Springs.

ST. PETERSBURG:

Clearwater.

LAKELAND:

Bartow, Mulberry, Plant City,
Polk City and Winter Haven.

ORLANDO:

Apopka, East Orange, Lake Buena
Vista, Oviedo, Windermere,
Winter Garden,
Winter Park, Montverde, Reedy
Creek, and Oviedo-Winter
Springs.

WINTER PARK:

Apopka, East Orange, Lake Buena Vista,
Orlando, Oviedo, Sanford, Windermere,
Winter Garden, Oviedo-Winter Springs
Reedy Creek, Geneva and Montverde.

TITUSVILLE:

Cocoa and Cocoa Beach.

COCOA:

Cocoa Beach, Eau Gallie,
Melbourne and Titusville.

MELBOURNE:

Cocoa, Cocoa Beach, Eau Gallie
and Sebastian.

SARASOTA:

Bradenton, Myakka and Venice.

FT. MYERS:

Cape Coral, Ft. Myers Beach, North Cape
Coral, North Ft. Myers, Pine Island, Lehigh
Acres and Sanibel-Captiva Islands.

NAPLES:

Marco Island and North Naples.

WEST PALM BEACH:

Boynton Beach and Jupiter.

POMPANO BEACH:

Boca Raton, Coral Springs,
Deerfield Beach and Ft.
Lauderdale.

FT. LAUDERDALE:

Coral Springs, Deerfield Beach,
Hollywood and Pompano Beach.

HOLLYWOOD:

Ft. Lauderdale and North Dade.

NORTH DADE:

Hollywood, Miami and Perrine.

MIAMI:

Homestead, North Dade and
Perrine

Attachment 10
FPSC Application, Question 10

10. Who will serve as liason with the Commission in regard to:

(a) the application:

Richard M. Tettelbaum
Senior Attorney
Citizens Telecom
Suite 500, 1400 16th Street, N.W.
Washington, D.C. 20036

(202) 332-5922

(b) Official Point of Contact for the ongoing operations of the company:

Russell Rauh
Citizens Telecom
3 High Ridge Park
Stamford, CT 06905

(203) 329-4632

(c) Tariff:

Russell Rauh
Citizens Telecom
3 High Ridge Park
Stamford, CT 06905

(203) 329-4632

11. List the states in which the applicant:

(a) Has operated as an interexchange carrier:

Citizens Telecom operates or will soon operate in the following states:

California
Colorado
Idaho
Illinois
Louisiana
Maryland
Massachusetts
Montana
New York
Oregon
Tennessee
Utah
Washington
West Virginia

(b) Has applications pending to be certificated as an interexchange carrier:

All states not listed in (a), above.

(c) Is certificated to operate as an interexchange carrier:

All states listed in (a), above.

(d) Has been denied authority to operate as an interexchange carrier and the circumstances involved: None

(e) Has had regulatory penalties imposed for violations of telecommunications statutes and the circumstances involved: None

(f) Has been involved in civil court proceedings with an interexchange carrier, local exchange company or other telecommunications entity, and the circumstances involved: None

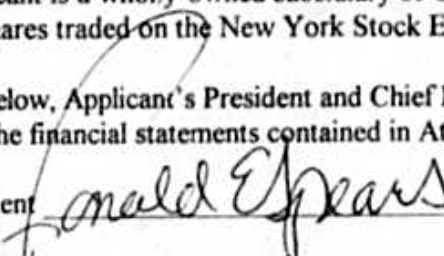
Attachment 18
FPSC Application, Question 18

A. Financial capability:

Applicant commenced operations in 1995. Its unaudited financial statements are appended as Attachment 18-1. The Applicant is a wholly-owned subsidiary of Citizens Utilities Company, a publicly-traded company with shares traded on the New York Stock Exchange.

By signing in the spaces below, Applicant's President and Chief Financial Officer affirm that, to the best of their knowledge, the financial statements contained in Attachment 18-1 are correct.

Ronald E. Spears, President

 (Date) 3/18/96

Robert J. DeSantis, Vice President, Treasurer, CFO and Assistant Secretary

 (Date) 3/18/96

An excerpt of Citizens Utilities Company's SEC Form 10-K, 1994 financial results is appended as Attachment 18-2. The audited 1995 results will be made available, when released, upon request. Citizens Utilities Company funds the Applicant's operations through advances.

B. Managerial capability:

Ronald E. Spears is the Applicant's President and person who is responsible for all facets of its operation. Mr. Spears joined Citizens Telecom in 1995, following many years of experience in the telecommunications industry. In 1979, he joined MCI Telecommunications and held various engineering and management positions, including President of MCI Midwest. In that latter position, he was responsible for managing MCI's midwestern equal access marketing efforts. Prior to joining MCI, Mr. Spears was with AT&T's Long Lines division, managing a regional engineering group.

Daniel Lazarek is the Applicant's Vice President responsible for all sales functions, including customer service. He is also responsible for the "roll out" of new products to the public in both existing and new markets. From 1987 until joining Citizens Telecom in late 1994, Mr. Lazarek was employed by Rochester Telephone Corporation in a variety of sales and marketing positions, the last being Director of Marketing and Business Development for domestic telephone operations. Many of Mr. Lazarek's staff members at Citizens Telecom also had previous experience with Rochester Telephone.

Citizens Telecom's Director of Long Distance Marketing is Connie Goebel, who has over 12 years' experience in the telecommunications industry. She is responsible for creating and pricing customer product offerings.

C. Technical capability:

Citizens Telecom's Operations Department is headed by Joseph J. Sullivan, III. Mr. Sullivan and many of his staff members came to Citizens Telecom in its recent acquisition of FCS, Inc., d/b/a Flex Communications, a large interexchange carrier in upstate New York. In his many years with Flex, Mr. Sullivan was responsible for all facets of operations.

Attachment 18-1

**CITIZENS TELECOMMUNICATIONS COMPANY
BALANCE SHEET - LONG DISTANCE
DECEMBER 31, 1995**

ASSETS

Current Assets:	
Cash	\$226,211
Receivables	4,903,344
Total Current Assets	<u>5,129,555</u>
Property, Plant & Equipment	2,418,266
Accumulated Depreciation	(1,464,726)
Property, Plant & Equipment, net	<u>953,540</u>
Other Assets	<u>5,386,714</u>
TOTAL ASSETS	<u>\$11,469,809</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Current Liabilities:	
Taxes Accrued	\$348,525
Accrued Liabilities	775,278
Total Current Liabilities	<u>1,123,803</u>
Accounts Payable - Affiliates	<u>9,580,441</u>
Long-Term Liabilities:	
Obligations under Capital Lease	<u>346,859</u>
Stockholder's Equity:	
Common Stock	3,000
Additional Paid-In Capital	18,000
Retained Earnings	397,706
Total Stockholder's Equity	<u>418,706</u>
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	<u>\$11,469,809</u>

CITIZENS TELECOMMUNICATIONS COMPANY
INCOME STATEMENT - LONG DISTANCE
DECEMBER 31, 1995

Operating Revenues	\$14,216,635
Operating Expenses	<u>(13,651,219)</u>
Operating Income - before Depreciation and Income Taxes	565,416
Depreciation & Amortization	(94,092)
Taxes other than Income	<u>(391,568)</u>
Operating Income - before Taxes	79,756
Interest & Dividend Income	47,638
Interest on Long-Term Debt	<u>(103,993)</u>
Net Income	<u><u>\$23,401</u></u>

CITIZENS UTILITIES COMPANY

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE YEAR ENDED DECEMBER 31, 1994

CITIZENS UTILITIES COMPANY AND SUBSIDIARIES

Index to Financial Statements

Independent Auditors' Report	F-2
Consolidated balance sheets as of December 31, 1994, 1993 and 1992	F-3
Consolidated statements of income for the years ended December 31, 1994, 1993 and 1992	F-4
Consolidated statements of shareholders' equity for the years ended December 31, 1994, 1993 and 1992	F-5
Consolidated statements of cash flows for the years ended December 31, 1994, 1993 and 1992	F-6
Notes to consolidated financial statements	F-7 - F-21

Independent Auditors' Report

The Board of Directors and Shareholders
Citizens Utilities Company:

We have audited the consolidated financial statements of Citizens Utilities Company and subsidiaries as of December 31, 1994, 1993 and 1992, and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Citizens Utilities Company and subsidiaries at December 31, 1994, 1993 and 1992, and the results of their operations and their cash flows for the years then ended, in conformity with generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standards (SFAS) 115, "Accounting for Certain Investments in Equity and Debt Securities", effective January 1, 1994. As discussed in Notes 1 and 13 to the consolidated financial statements, the Company adopted SFAS 109, "Accounting for Income Taxes", and SFAS 106, "Employers' Accounting for Postretirement Benefits Other than Pensions", effective January 1, 1993.

KPMG Peat Marwick LLP

New York, New York
March 8, 1995

CITIZENS UTILITIES COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 1994, 1993 and 1992
(In thousands)

	<u>1994</u>	<u>1993</u>	<u>1992</u>
ASSETS			
Current assets:			
Cash	\$ 14,224	\$ 21,738	\$ 19,752
Temporary investments	108,818	89,752	0
Accounts receivable:			
Utility service	134,510	99,684	75,754
Other	34,713	15,088	15,932
Less allowance for doubtful accounts	<u>2,428</u>	<u>459</u>	<u>441</u>
Total accounts receivable	<u>166,795</u>	<u>114,313</u>	<u>91,245</u>
Materials and supplies	18,330	10,061	7,794
Other current assets	<u>5,887</u>	<u>4,873</u>	<u>4,400</u>
Total current assets	<u>314,054</u>	<u>240,737</u>	<u>123,191</u>
Property, plant and equipment	3,583,723	2,153,891	1,503,471
Less accumulated depreciation	<u>1,014,068</u>	<u>461,924</u>	<u>406,833</u>
Net property, plant and equipment	<u>2,569,655</u>	<u>1,691,967</u>	<u>1,096,638</u>
Investments	325,011	411,022	561,062
Regulatory assets	177,414	146,207	0
Deferred debits and other assets	<u>190,432</u>	<u>137,185</u>	<u>107,090</u>
Total assets	<u>\$ 3,576,566</u>	<u>\$2,627,118</u>	<u>\$1,887,981</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	\$ 122,404	\$ 84,015	\$ 87,298
Income taxes accrued	92,366	82,632	59,947
Long-term debt due within one year	13,986	1,620	10,850
Customers' deposits	19,919	19,436	17,150
Interest accrued	15,841	12,731	12,943
Other current liabilities	99,461	47,791	36,300
Short-term debt	<u>515,200</u>	<u>380,000</u>	<u>0</u>
Total current liabilities	<u>879,177</u>	<u>628,225</u>	<u>224,488</u>
Customer advances for construction	145,150	137,012	140,309
Contributions in aid of construction	71,580	47,241	39,549
Deferred income taxes	248,150	213,471	95,222
Regulatory liabilities	30,830	28,376	0
Deferred credits	50,594	50,634	28,443
Long-term debt	994,189	547,673	522,699
Shareholders' equity	<u>1,156,896</u>	<u>974,486</u>	<u>837,271</u>
Total liabilities and shareholders' equity	<u>\$3,576,566</u>	<u>\$2,627,118</u>	<u>\$1,887,981</u>

The accompanying Notes are an integral part of these Consolidated Financial Statements.

CITIZENS UTILITIES COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 1994, 1993 and 1992
(In thousands, except for per-share amounts)

	<u>1994</u>	<u>1993</u>	<u>1992</u>
Revenues:			
Telecommunications	\$461,094	\$177,497	\$186,232
Natural gas	208,940	211,892	189,812
Electric	173,585	164,515	145,032
Water/Wastewater	<u>72,395</u>	<u>65,488</u>	<u>59,388</u>
Total revenues	<u>916,014</u>	<u>619,392</u>	<u>580,464</u>
Operating expenses:			
Natural gas purchased	116,419	117,724	102,556
Electric energy and fuel oil purchased	86,576	83,119	76,286
Operating expenses	249,096	142,718	141,954
Maintenance expenses	61,779	24,816	24,893
Depreciation	115,175	54,698	50,127
Taxes other than income	<u>58,845</u>	<u>35,157</u>	<u>34,174</u>
Total operating expenses	<u>687,890</u>	<u>458,232</u>	<u>429,990</u>
Income from operations	228,124	161,160	150,474
Investment income	40,454	42,097	40,072
Other income - net	12,486	12,102	7,278
Interest expense	<u>72,744</u>	<u>37,431</u>	<u>39,044</u>
Income before income taxes	208,320	177,928	158,780
Income taxes	<u>64,323</u>	<u>52,298</u>	<u>43,767</u>
Net income	<u>\$143,997</u>	<u>\$125,630</u>	<u>\$115,013</u>
Earnings per share of Common Stock Series A and Series B	<u>\$.77</u>	<u>\$.67</u>	<u>\$.63</u>

The accompanying Notes are an integral part of these Consolidated Financial Statements.

CITIZENS UTILITIES COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 1994, 1993 and 1992
(In thousands, except for per-share amounts)

	Common Stock (\$0.25)		Additional	Retained	Other	Total
	Series A	Series B	Paid-in Capital	Earnings		
Balance December 31, 1991	\$10,291	\$3,323	\$468,107	\$236,660	\$1,295	\$719,676
Net income				115,013		115,013
Stock dividends in shares of Common Stock Series A and Series B	700	237	117,454	(118,391)		0
Stock split (3-for-2)	5,270	1,783	(7,053)			0
Stock plans		86	9,853			9,939
Tax benefit arising from stock options exercised			531			531
Non-vested restricted stock			(6,593)			(6,593)
Conversions of Series A to Series B	(222)	222				0
Other					(1,295)	(1,295)
Balance December 31, 1992	\$16,039	\$5,651	\$582,299	\$233,282	\$ 0	\$837,271
NGL merger		142	497	2,949		3,588
Franklin merger		13	505	(35)		483
Net income				125,630		125,630
Stock dividends in shares of Common Stock Series A and Series B	1,029	387	129,963	(131,594)		(215)
Stock split (2-for-1)	16,155	6,036	(22,191)			0
Stock plans		114	5,854			5,968
Tax benefit arising from stock options exercised			537			537
Non-vested restricted stock			1,224			1,224
Conversions of Series A to Series B	(776)	776				0
Balance December 31, 1993	\$ 32,447	\$ 13,119	\$ 698,688	\$ 230,232	\$ 0	\$ 974,486
Metro Utility Co. merger		126	4,646	3,231		8,003
Net income				143,997		143,997
Stock dividends in shares of Common Stock Series A and Series B	1,621	686	137,736	(140,043)		0
Stock plans	88	281	18,759			19,128
Tax benefit arising from stock options exercised			137			137
Non-vested restricted stock			2,015			2,015
Conversions of Series A to Series B	(570)	570				0
Unrealized gain on securities classified as available-for-sale, net of taxes					9,130	9,130
Balance December 31, 1994	\$33,586	\$14,782	\$861,981	\$237,417	\$9,130	\$1,156,896

The accompanying Notes are an integral part of these Consolidated Financial Statements.

CITIZENS UTILITIES COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 1994, 1993 and 1992
(In thousands)

	<u>1994</u>	<u>1993</u>	<u>1992</u>
Net cash provided by operating activities	<u>\$262,316</u>	<u>\$194,949</u>	<u>\$131,040</u>
Cash flows used for investing activities:			
Business acquisitions	(700,222)	(481,257)	0
Construction expenditures	(287,708)	(175,308)	(148,563)
Securities purchases	(18,219)	(254,203)	(356,816)
Securities sales	23,478	269,624	212,634
Securities maturities	89,885	54,465	72,651
Customer advances for construction and contributions in aid of construction	24,546	6,959	5,033
Other	<u>(13,795)</u>	<u>(7,086)</u>	<u>19,755</u>
	<u>(882,035)</u>	<u>(586,806)</u>	<u>(195,306)</u>
Cash flows from financing activities:			
Long-term debt borrowings	458,589	34,733	135,672
Long-term debt principal payments	(1,268)	(26,644)	(95,365)
Short-term debt borrowings	135,200	380,000	0
Issuance of Common Stock	18,465	3,780	989
Other	<u>1,219</u>	<u>1,974</u>	<u>493</u>
	<u>612,205</u>	<u>393,843</u>	<u>41,789</u>
Increase (decrease) in cash	(7,514)	1,986	(22,477)
Cash at January 1,	<u>21,738</u>	<u>19,752</u>	<u>42,229</u>
Cash at December 31,	<u>\$ 14,224</u>	<u>\$ 21,738</u>	<u>\$ 19,752</u>

The accompanying Notes are an integral part of these Consolidated Financial Statements.

CITIZENS UTILITIES COMPANY
Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies:

(a) Principles of Consolidation:

The Consolidated Financial Statements include the accounts of Citizens Utilities Company and all subsidiaries after elimination of intercompany balances and transactions. Certain reclassifications of balances previously reported have been made to conform to current presentation.

(b) Revenues:

Electric, natural gas and water/wastewater treatment - The Company records revenues from electric, natural gas and water/wastewater treatment customers when billed. These customers are billed on a cycle basis based on monthly meter readings. The Company accrues unbilled revenues earned from the dates customers were last billed to the end of the accounting period.

Telecommunications - The Company records revenues from telecommunications services when earned. Revenues from local service are primarily derived from providing local telephone services. Revenues from long-distance service are derived from charges for access to the Company's local exchange network, subscriber line charges and contractual arrangements. Certain toll and access services revenues are estimated under cost separation procedures that base revenues on current operating costs and investments in facilities to provide such services.

(c) Construction Costs and Maintenance Expense:

Property, plant and equipment are stated at original cost, including general overhead and an allowance for funds used during construction ("AFUDC"). AFUDC represents the borrowing costs and a return on common equity of funds used to finance construction. AFUDC is capitalized as a component of additions to property, plant and equipment and is credited to income. AFUDC does not represent current cash earnings; however, under established regulatory rate-making practices, after the related plant is placed in service, the Company is permitted to include in the rates charged for utility services a fair return on and depreciation of such AFUDC included in plant in service. The amount relating to equity is included in other income (\$11,402,000, \$10,123,000 and \$6,398,000 for 1994, 1993 and 1992, respectively) and the amount relating to borrowings is a reduction of interest expense (\$3,031,000, \$2,678,000 and \$1,805,000 for 1994, 1993 and 1992, respectively). The weighted average rates used to calculate AFUDC were 12% in 1994 and 1993, and 14% in 1992. Maintenance and repairs are charged to operating expenses as incurred. The book value, net of salvage, of routine property, plant and equipment dispositions is charged against accumulated depreciation.

(d) Depreciation Expense:

Depreciation expense, calculated using the straight-line method, is based upon the estimated service lives of various classifications of property, plant and equipment and represented approximately 4% of the gross depreciable property, plant and equipment for 1994, 1993 and 1992.

(e) Regulatory Assets and Liabilities:

The Company's regulated operations are subject to the provisions of Statement of Financial Accounting Standards ("SFAS") 71; "Accounting for the Effects of Certain Types of Regulation". SFAS 71 requires regulated entities to record regulatory assets and liabilities as a result of actions of regulators. Regulatory assets of \$24,669,000 at December 31, 1994 were recorded in connection with the provisions of SFAS 106, "Employers' Accounting for Postretirement Benefits Other than Pensions" (see Note 13). In connection with the provisions of SFAS 109, "Accounting for Income Taxes", the Company's regulatory assets were \$152,745,000 and regulatory liabilities were \$30,830,000 at December 31, 1994. The regulatory assets and liabilities related to SFAS 109 were recorded to offset deferred income taxes which were recorded primarily as a result of the income tax benefits that were previously flowed through to customers and to the allowance for funds used during construction, partially offset by the effects of tax law changes and the tax benefit of unamortized deferred investment tax credits.

The Company continuously monitors the applicability of SFAS 71 to its regulated operations. SFAS 71 may, at some future date, be deemed inapplicable due to changes in the regulatory and competitive environments and/or a decision by the Company to accelerate deployment of new technology. If the Company were to discontinue the application of SFAS 71 to one or more of its regulated operations, the Company would be required to write off its regulatory assets and

CITIZENS UTILITIES COMPANY AND SUBSIDIARIES
Notes to Consolidated Financial Statements

regulatory liabilities associated with such operation(s) and would be required to adjust the carrying amount of any property, plant and equipment that would be deemed not recoverable. The Company believes its regulated operations continue to meet the criteria for SFAS 71.

(f) Accounting for Investments, Temporary Investments and Short-Term Debt:

Investments include high credit quality, short- and intermediate-term fixed-income securities (primarily state and municipal debt obligations) and equity securities.

Prior to the adoption of SFAS 115, fixed income securities were stated at amortized cost and marketable equity securities were stated at the lower of cost or market. The Company adopted SFAS 115, "Accounting for Certain Investments in Debt and Equity Securities" as of January 1, 1994. SFAS 115 requires, among other things, that securities be designated as available-for-sale, held-to-maturity or trading.

Securities which the Company will hold for an indefinite period of time, but which might be sold in the future as changes in market conditions or economic factors occur, are classified as available-for-sale and are carried at estimated fair market value. Net aggregate unrealized gains and losses related to such securities, net of taxes, are included as a separate component of Shareholders' Equity. Securities for which the Company has the intent and ability to hold to maturity are designated as held-to-maturity and are carried at amortized cost, adjusted for amortization of premiums and accretion of discounts over the period to maturity. Securities are designated as available-for-sale or held-to-maturity at the time of acquisition. Interest, dividends and gains and losses realized on sales of securities are reported in Investment income. The Company does not invest in securities which would be designated as trading.

Temporary investments are investments in state and municipal securities which mature in less than one year, the proceeds of which are to be used to repay a portion of the short-term debt issued to partially and temporarily fund the acquisition of the GTE Telephone Properties (see Note 3). Such investments are considered held-to-maturity and are carried at amortized cost. The fair value of temporary investments at December 31, 1994 and 1993 was \$108,935,000 and \$93,438,000, respectively.

Short-term debt outstanding was issued in the form of commercial paper notes payable to temporarily and partially fund the acquisition of the GTE Telephone Properties. This short-term debt had a weighted average interest rate of 5.75% at December 31, 1994 and is expected to be repaid from maturing temporary investments, funds from operations and proceeds from the issuance of equity securities. The fair value of short-term debt at December 31, 1994 and 1993, was \$515,200,000 and \$380,000,000, respectively.

(g) Investment in Centennial Cellular Corp.:

The Company recorded its initial investment in Centennial Cellular Corp. ("Centennial") Convertible Redeemable Preferred Stock (the "Preferred Security") and Class B Common Stock at the historical cost of the Company's investment in Citizens Cellular Company, prior to its merger with Century Cellular Corp. During 1994, the Company purchased 615,195 additional shares of Centennial Class B Common Stock for \$8,613,000 pursuant to a Centennial rights offering. Pursuant to SFAS 115, beginning January 1, 1994, the investment in the Centennial Class B Common Shares was classified as available-for-sale and is carried at fair market value. The terms of the Preferred Security provide that the Preferred Security accretes a liquidation value preference at a fixed dividend rate of 7.5%, compounded quarterly, on an initial liquidation value preference of \$125,700,000 until the Preferred Security reaches a liquidation value preference of \$186,000,000 on August 31, 1996. The Company recognizes the non-cash accretion as it is earned in each period as investment income and increases the book value of its investment in Centennial by the same amount. On a quarterly basis, the Company assesses whether the book value of the Preferred Security can be realized by comparing such book value to the market value of Centennial's common equity and by evaluating other relevant indicators of realizability, including Centennial's ability to redeem the Preferred Security. The book value of the Preferred Security would be deemed impaired to the extent that such book value exceeds the estimated realizability of the Preferred Security based on all existing facts and circumstances, including the Company's assessment of its ability to realize the book value of the Preferred Security

CITIZENS UTILITIES COMPANY AND SUBSIDIARIES
Notes to Consolidated Financial Statements

through mandatory redemption (see Note 5).

(h) Income Taxes and Investment Tax Credits:

The Company and its subsidiaries are included in a consolidated federal income tax return using a calendar year reporting period.

The Company adopted SFAS 109 in 1993 without restating prior years' financial statements; the adoption of SFAS 109 had no material effect on net income in 1993. SFAS 109 required a change from the deferred to the liability method of computing deferred income taxes. Adoption of SFAS 109 resulted in recording a net increase in the liability for deferred income taxes of \$115,437,000 at December 31, 1993. Such increase resulted principally from income tax benefits previously flowed through to customers and to the allowance for funds used during construction; partially offsetting these items were the effects of tax law changes and the tax benefit associated with the unamortized deferred investment tax credits. Due to the effects of utility regulation, the Company recorded regulatory assets and liabilities of \$143,813,000 and \$28,376,000, respectively, as offsets to the increase in the deferred income taxes at December 31, 1993. Prior to the adoption of SFAS 109, deferred income taxes resulted from the tax effect of using accelerated depreciation methods and certain other timing differences between income reported on the Consolidated Financial Statements and taxable income reported on the Company's income tax returns.

The investment tax credits relating to utility properties, as defined by applicable regulatory authorities, have been deferred and are being amortized to income over the lives of the related properties.

(i) Earnings Per Share:

Earnings per share is based on the average number of outstanding shares. Earnings per share is presented with adjustment for subsequent stock dividends and stock splits. The calculation has not been adjusted for the 1.5% stock dividend declared on February 7, 1995, because its effect is immaterial. The effect on earnings per share of the exercise of dilutive options is immaterial.

(2) Property, Plant and Equipment:

The components of property, plant and equipment at December 31, 1994, 1993 and 1992 are as follows:

	<u>1994</u>	<u>1993</u>	<u>1992</u>
	(\$ in thousands)		
Transmission and distribution facilities	\$2,159,452	\$1,417,320	\$1,032,426
Production and generating facilities	818,927	414,743	222,594
Pumping, storage and purification facilities	93,942	80,175	71,238
Construction work in progress	210,213	68,868	45,616
Intangibles	7,773	5,968	3,145
Other	<u>293,416</u>	<u>166,817</u>	<u>128,452</u>
	<u>\$3,583,723</u>	<u>\$2,153,891</u>	<u>\$1,503,471</u>

(3) Mergers and Acquisitions:

The Company and GTE Corporation announced the signing of 10 definitive agreements pursuant to which the Company agreed to acquire from GTE Corporation, for \$1.1 billion, certain telephone properties serving approximately 500,000 local telephone access lines in nine states (the "GTE Telephone Properties"). On December 31, 1993, 189,123 local telephone access lines in Idaho, Tennessee, Utah and West Virginia were transferred to the Company. On June 30, 1994, 270,883 local telephone access lines in New York were transferred to the Company. On November 30, 1994, 37,802 local telephone access lines in Arizona and Montana were transferred to the Company. On December 30, 1994, 5,440 local telephone access lines in California were transferred to the Company. The remaining GTE Telephone Property is located in Oregon and is expected to be transferred to Citizens in 1995. The acquisitions were accounted

CITIZENS UTILITIES COMPANY AND SUBSIDIARIES
Notes to Consolidated Financial Statements

for using the purchase method of accounting and the results of operations of the GTE Telephone Properties acquired have been included in the accompanying financial statements from the dates of their acquisition.

The following unaudited pro forma financial information presents the combined results of operations of the Company and the GTE Telephone Properties acquired as if the acquisitions had occurred on January 1, 1993. The pro forma financial information does not necessarily reflect the results of operations that would have occurred had the Company and the GTE Telephone Properties constituted a single entity during such periods.

	<u>1994</u>	<u>1993</u>
	(\$ in thousands, except for per-share amounts)	
Revenues	\$1,054,000	\$1,016,000
Net Income	\$165,000	\$153,000
Earnings per share	\$.77	\$.72

On August 31, 1994, RHC, Inc. ("Metro Utility Co."), an operator of water and wastewater treatment utilities serving portions of the suburban Chicago area, was merged into the Company. The acquired operations serve approximately 10,000 customers, increasing the number of the Company's water/wastewater treatment customers in Illinois to over 65,000. The transaction was accounted for as a pooling of interests. Prior year financial statements were not restated as the amounts are not significant.

On November 29, 1994, the Company and ALLTEL Corporation ("ALLTEL") announced the signing of eight definitive agreements pursuant to which Citizens agreed to acquire from ALLTEL, for \$292,000,000, certain telephone properties serving approximately 7,000 subscribers. The properties are located in eight states: Arizona, California, Nevada, New Mexico, Oregon, Tennessee, Utah and West Virginia. The closings are expected to occur state by state throughout 1995 and the first half of 1996.

On September 22, 1994, a subsidiary of the Company and a subsidiary of Century Communications Corp. ("Century") entered into a joint venture agreement for the purpose of acquiring, for approximately \$89 million, and operating two cable television systems in southern California (the "Systems"). Century is a cable television company of which Leonard Tow, the Chairman and Chief Executive Officer of the Company, is Chairman, Chief Executive Officer, Chief Financial Officer and a director. In addition, Claire Tow, a director of the Company is Senior Vice President and a director of Century and Robert Siff, a director of the Company is a director of Century. The joint venture is governed by a management board on which the Company and Century are equally represented. The joint venture has entered into an agreement pursuant to which a subsidiary of Century (the "Manager") will manage the day-to-day operations of the Systems. The Manager will not receive a management fee but will be reimbursed only for the actual costs it incurs on behalf of the joint venture. With respect to the purchase of any service or asset for the joint venture for use in the Systems, the Manager is obligated to pass through to the joint venture any discount, up to 5%, off the published prices of vendors and is entitled to retain any discount in excess of 5%. On September 30, 1994, the joint venture acquired one of the systems serving approximately 26,500 subscribers. The purchase of the second system, serving approximately 19,200 subscribers, remains subject to regulatory approval for the transfer of licenses. The Company's interest in the joint venture is accounted for under the equity method of accounting.

In January 1995, the Company entered into a definitive agreement to acquire Flex Communications by merger in a stock-for-stock transaction. Flex is a switch-based, inter-exchange carrier providing long distance, 800 Inbound long-distance, voice mail, paging, private data networks and cellular services to approximately 3,500 customers in upstate New York. The transaction is expected to close in 1995.

In 1993, the Company separately acquired Natural Gas Company of Louisiana ("NGL") and Franklin Electric Light Company, Incorporated ("Franklin") by merger. In these mergers, the Company issued 568,748 shares and 51,500 shares of Series B Common Stock for all of the common stock of NGL and Franklin, respectively. The acquisitions were accounted for as poolings of interests. Prior years' financial statements were not restated for the effects of these transactions because the amounts were not significant.

CITIZENS UTILITIES COMPANY AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(4) Dispositions:

The Company has agreed to transfer, in the form of a tax-free exchange, its Pennsylvania Telephone property as partial consideration in the acquisition of the ALLTEL Telephone Properties. The agreed-upon value for this property is approximately \$10,000,000.

During 1993, the Company disposed of its Santa Cruz County, Arizona water and wastewater treatment properties, Idaho water property and Aalert Paging Company. The sale of the Santa Cruz properties yielded net proceeds of \$1,694,000 and had a net investment of \$94,000. The Company received net proceeds of \$1,221,000 from the sale of the Idaho water property and had a net investment of \$1,249,000. The sale of Aalert Paging Company yielded net proceeds of \$5,498,000 and had a net investment of \$5,287,000. The resulting gains and losses are included in Other income - net.

During 1992, the Company disposed of two water properties in California. One property was transferred to a municipality through condemnation proceedings. The Company received net proceeds of \$3,400,000 and had a net investment of \$1,877,000. The other property was sold for net proceeds of \$6,618,000; the Company's net investment was \$4,160,000. In December 1992, the Company disposed of its Idaho electric operations. The Company received \$1,177,500 and had a net investment of \$706,000. The resulting gains on dispositions are included in other income-net.

(5) Investments:

The components of investments at December 31, 1994, 1993 and 1992 are as follows:

	<u>1994</u>	<u>1993</u>	<u>1992</u>
		(\$ in thousands)	
State and municipal securities	\$174,790	\$296,371	\$448,605
Investment in Centennial	117,982	90,628	81,034
Other fixed income securities	411	7,670	10,680
Marketable equity securities	31,828	13,282	13,934
Other	0	3,071	6,809
Total	<u>\$325,011</u>	<u>\$411,022</u>	<u>\$561,062</u>

The Company's investment in Centennial at December 31, 1994, includes 102,187 shares of Convertible Redeemable Preferred Stock (the "Preferred Security") and 1,982,294 Class B Common Shares. The liquidation value preference earned on the Preferred Security for 1994, 1993 and 1992 was \$13,481,000, \$9,594,000 and \$8,803,000, respectively, and was recorded as investment income. The carrying value of the investment in Centennial at December 31, 1994, as presented in the table above, represents the historical book value of the Preferred Security of \$49,842,000 plus \$34,441,000 of liquidation value preference earned on the Preferred Security through December 31, 1994 and the market value of the Class B Common Stock of Centennial of \$33,699,000. The Preferred Security is mandatorily redeemable in the year 2006. The Company believes it can realize its investment in Centennial either by cash redemption by the issuer funded through refinancing by the issuer, by temporary conversion to common equity securities followed by the sale of the common equity securities, or by sale of its current investment holdings.

The aggregate market value of marketable equity securities at December 31, 1993 was \$27,492,000 and total unrealized gains were \$14,210,000. Net realized gains on marketable equity securities included in the determination of net income for the years 1994, 1993 and 1992, respectively, were \$3,760,000, \$0 and \$259,000. The cost of securities sold was based on the actual cost of the shares of each security held at the time of sale. Marketable equity securities for each year include 1,807,095 shares (1,500,000 original shares adjusted for stock dividends) of Class A Common Stock of Century. These shares represent less than 2% of the total outstanding common stock of Century. The Chairman and Chief Executive Officer of the Company is also Chairman and Chief Executive Officer of Century.

Pursuant to the provisions of SFAS 115, the Company classified its Investments into two categories: "held-to-maturity" and "available-for-sale" at January 1, 1994. The Company recorded unrealized holding gains on securities classified as available-for-sale as an increase to Investments. The fair value of Investments at December 31, 1993 and 1992 were \$534,496,000 and \$649,366,000, respectively, based on relative market information about each financial instrument.

CITIZENS UTILITIES COMPANY AND SUBSIDIARIES
Notes to Consolidated Financial Statements

The following summarizes the cost, unrealized gains and fair market value for investments at December 31, 1994.

<u>Investment Classification</u>	<u>Amortized Cost</u>	<u>Unrealized Holding Gains</u> (\$ in thousands)	<u>Aggregate Fair Value</u>
Held-To-Maturity	\$259,484	\$77,238	\$336,722
Available-For-Sale	50,809	14,718	65,527

<u>Investment Maturities</u>	<u>Held-to-Maturity Securities</u>	
	<u>Amortized Cost</u>	<u>Fair Value</u>
	(\$ in thousands)	
2-5 years	\$141,030	\$139,567
6-10 years	34,171	33,656
Thereafter	<u>84,283</u>	<u>163,499</u>
	<u>\$259,484</u>	<u>\$336,722</u>

The Company sold \$19,335,000 of securities classified as held-to-maturity during 1994 for the purpose of financing the acquisition of the GTE Telephone Properties; gains and losses of \$372,000 and \$94,000, respectively, were realized on such sales. The amortized cost and related gains on available-for-sale securities sold during 1994 were \$384,000 and \$3,760,000, respectively.

(6) Long-term Debt:

	Weighted average interest rate at <u>December 31, 1994</u>	Maturities	<u>December 31,</u>		
			<u>1994</u>	<u>1993</u>	<u>1992</u>
			(\$ in thousands)		
Debentures	7.68%	2001-2034	\$425,000	\$150,000	\$150,000
Industrial development revenue bonds	5.93%	2015-2029	325,125	284,777	242,391
Commercial paper notes payable	5.75%	Variable	187,800	58,953	62,680
Rural Electrification Administration and Rural Telephone Bank notes	5.80%	2006-2027	47,106	42,237	43,494
Subordinated notes	10.83%	1995-1998	2,045	11,692	12,261
Other long-term debt	<u>8.18%</u>	1998-2000	<u>7,113</u>	<u>14</u>	<u>11,873</u>
	<u>6.67%</u>		<u>\$994,189</u>	<u>\$547,673</u>	<u>\$522,699</u>

Certain commercial paper notes payable have been classified as long-term debt because these obligations are expected to be refinanced with long-term debt securities. The Company has available lines of credit with commercial banks in the amounts of \$1,000,000,000 and \$200,000,000, which expire on December 13, 1995 and December 16, 1997, respectively, and have associated facility fees of one-twentieth of one percent per annum and one-twelfth of one percent per annum, respectively. The terms of the lines of credit provide the Company with extension options.

The total principal amounts of industrial development revenue bonds at December 31, 1994, 1993 and 1992, were \$392,530,000, \$377,890,000 and \$274,030,000, respectively. Amounts presented in the table above have been reduced by funds held by trustees to be used for payment of qualifying construction expenditures. Holders of certain industrial development revenue bonds may tender at par prior to maturity. The next tender date is August 1, 1997, for \$30,350,000 of principal amount of bonds. In the years 1994, 1993 and 1992, respectively, interest payments on short- and long-term debt were \$74,803,000, \$40,217,000 and \$37,913,000.

CITIZENS UTILITIES COMPANY AND SUBSIDIARIES
Notes to Consolidated Financial Statements

The fair value of long-term debt, presented as required by SFAS 107 at December 31, 1994, 1993 and 1992, respectively, was \$992,349,000, \$602,710,000 and \$550,724,000 based on relative market information and information about each financial instrument.

The installment principal payments and maturities of long-term debt for the next five years are as follows:

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
	(\$ in thousands)				
Installment principal payments	\$ 4,233	\$4,311	\$3,963	\$3,021	\$2,156
Maturities	<u>9,753</u>	<u>845</u>	<u>118</u>	<u>1,334</u>	<u>-</u>
	<u>\$13,986</u>	<u>\$5,156</u>	<u>\$4,081</u>	<u>\$4,355</u>	<u>\$2,156</u>

(7) Capital Stock:

The common stock of the Company is in two series, Series A and Series B. The Company is authorized to issue up to 200,000,000 shares of Common Stock Series A and 300,000,000 shares of Common Stock Series B. Quarterly stock dividends are declared and issued at the same rate on both Series A and Series B. Series B shareholders have the option of enrolling in the "Series B Common Stock Dividend Sale Plan." The Plan offers Series B shareholders the opportunity to have their stock dividends sold by the Plan Broker and the net cash proceeds of the sale distributed to them quarterly. Series A shares are convertible share-for-share into Series B shares. Series B shares are not convertible into Series A. Both series are the same in all other respects.

On April 14, 1992, the Company declared a 3-for-2 stock split of its Series A and Series B Common Stock. The stock split was distributed on July 24, 1992, to shareholders of record on July 1, 1992. On May 21, 1993, the Company declared a 2-for-1 stock split of its Series A and Series B common stock. The stock split was distributed on August 31, 1993, to shareholders of record on August 16, 1993.

On January 30, 1995, the Company, pursuant to an underwritten public offering, issued 19,000,000 shares of its Common Stock Series A at an issuance price of \$13 $\frac{3}{4}$ per share. The \$244,200,000 of net proceeds from the issuance were used to permanently fund the acquisition of the GTE Telephone Properties.

Quarterly stock dividend rates declared on Common Stock Series A and Series B are based upon cash equivalent rates and share market prices, and have been as follows:

	<u>Dividend Rates</u>		
	<u>1994</u>	<u>1993</u>	<u>1992</u>
First quarter	1.1%	1.2%	1.6%
Second quarter	1.15%	1.0%	1.5%
Third quarter	1.3%	1.1%	1.2%
Fourth quarter	<u>1.4%</u>	<u>1.0%</u>	<u>1.2%</u>
Total	<u>4.95%</u>	<u>4.3%</u>	<u>5.5%</u>
Compounded Total	<u>5.04%</u>	<u>4.37%</u>	<u>5.61%</u>

Annualized stock dividend cash equivalent rates considered by the Company's Board of Directors in declaring stock dividends for 1994, 1993 and 1992, respectively, were 73 $\frac{1}{4}$ ¢, 69 $\frac{1}{4}$ ¢ and 62 $\frac{3}{4}$ ¢ per share (adjusted for all stock splits and stock dividends paid subsequent to all dividends declared through December 31, 1994 and rounded to the nearest $\frac{1}{4}$ th).

CITIZENS UTILITIES COMPANY AND SUBSIDIARIES
Notes to Consolidated Financial Statements

The activity in shares of outstanding common stock for Series A and Series B during 1994, 1993 and 1992 is summarized as follows:

	<u>Number of Shares</u>	
	<u>Series A</u>	<u>Series B</u>
Balance at January 1, 1992	41,166,000	13,289,000
Stock dividends	2,799,000	950,000
Stock split (3-for-2)	21,078,000	7,134,000
Stock plans	0	344,000
Conversions of Series A to Series B	<u>(887,000)</u>	<u>887,000</u>
Balance at December 31, 1992	64,156,000	22,604,000
NGL merger	0	569,000
Franklin merger	0	52,000
Stock dividends	4,114,000	1,548,000
Stock split (2-for-1)	64,620,000	24,142,000
Stock plans	0	457,000
Conversions of Series A to Series B	<u>(3,105,000)</u>	<u>3,105,000</u>
Balance at December 31, 1993	129,785,000	52,477,000
Metro Utility Co. merger	0	505,000
Stock dividends	6,484,000	2,744,000
Stock plans	355,000	1,122,000
Conversions of Series A to Series B	<u>(2,278,000)</u>	<u>2,278,000</u>
Balance at December 31, 1994	<u>134,346,000</u>	<u>59,126,000</u>

The Company used 7,000 Series B shares (not adjusted for subsequent stock dividends and a stock split) acquired from employees pursuant to the Management Equity Incentive Plan in partial payment of the 1993 stock dividend. These shares had a cost of \$215,000.

The Company has 50,000,000 authorized shares of preferred stock (\$.01 par), none of which has been issued. The preferred stock may be issued by the Board of Directors (without further approval by shareholders) in one or more series, having such attributes as may be designated by the Board of Directors at the time of issuance.

(8) Employee Stock Plans:

On June 22, 1990, shareholders approved the Citizens Utilities Company Management Equity Incentive Plan ("MEIP"). Under the MEIP, awards of the Company's Series A or Series B common stock may be granted to eligible officers, management employees and non-management exempt employees of the Company and its subsidiaries in the form of incentive stock options, non-qualified stock options, stock appreciation rights ("SARs"), restricted stock or other stock-based awards. The MEIP is administered by the Compensation Committee of the Board of Directors.

The maximum number of shares of common stock which may be issued pursuant to awards at any time is 5% of the Company's common stock outstanding provided that no more than 8,558,000 shares (adjusted for subsequent stock dividends and stock splits) will be issued pursuant to incentive stock options under the MEIP. No awards will be granted more than 10 years after the effective date of the MEIP. The exercise price of stock options and SARs shall be equal to or greater than the fair market value of the underlying common stock on the date of grant. Stock options are generally not exercisable on the date of grant but vest over a period of time.

Some options were awarded in tandem with related SARs. SARs provide the MEIP participant with the alternative of electing not to exercise the related stock option, but to receive instead an amount in cash or in common stock equal to the difference between the option price and the fair market value of the common stock on the date the SAR is exercised. Either the SAR or the related option may be exercised, but not both. There were no SARs granted during 1994 or 1993. During 1992, 613,000 SARs were exercised at an average exercise price of \$12.21 per share (not adjusted for subsequent stock dividends and stock splits). This resulted in the cancellation of the 613,000 tandem stock options. At December 31, 1994, 1993 and 1992, no SARs were outstanding.

CITIZENS UTILITIES COMPANY AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Under the terms of the MEIP, subsequent stock dividends and stock splits have the effect of increasing the option shares outstanding, which correspondingly decreases the average exercise price of outstanding options. The following summary of shares subject to option under the MEIP reflects the original options granted, adjusted for subsequent stock splits, at original option prices which have also been adjusted for subsequent stock splits.

	<u>Shares subject to option</u>	<u>Average option price per share</u>
Balance at January 1, 1992	2,931,000	\$ 8.06
Options granted	2,367,000	14.90
Options exercised	(257,000)	6.60
Options cancelled or lapsed	(1,294,000)	6.28
Adjustment for stock dividends*	<u>173,000</u>	-
Balance at December 31, 1992	3,920,000	12.54
Options granted	1,862,000	18.06
Options exercised	(239,000)	7.62
Options cancelled or lapsed	(25,000)	5.44
Adjustment for stock dividends*	<u>201,000</u>	-
Balance at December 31, 1993	5,719,000	14.14
Options granted	1,562,000	13.06
Options exercised	(149,000)	8.04
Options cancelled or lapsed	(69,000)	14.17
Adjustment for stock dividends*	<u>287,000</u>	-
Balance at December 31, 1994	<u>7,350,000</u>	<u>\$14.07</u>
Options exercisable at end of year	<u>1,667,000</u>	<u>\$11.85</u>

* Represents adjustment to outstanding option shares to reflect stock dividends.

During 1993 and 1992, the Company granted restricted stock awards to key employees in the form of the Company's Common Stock Series B. There were no restricted stock awards during 1994. The number of Series B shares issued as restricted stock awards during 1993 and 1992 was 149,000 and 792,000, respectively (adjusted for subsequent stock dividends and stock splits). None of the restricted stock awards may be sold, assigned, pledged or otherwise transferred, voluntarily or involuntarily, by the employee. The restrictions lapse over three- and five-year periods. At December 31, 1994, 482,618 shares (adjusted for subsequent stock dividends and stock splits) of restricted stock were outstanding.

The Company's Employee Stock Purchase Plan ("ESP Plan") was approved by shareholders on June 12, 1992 and amended on May 21, 1993. Under the ESP Plan, eligible employees of the Company and its subsidiaries may subscribe to purchase shares of Series B common stock at the lower of 85% of the average market price on the first day of the purchase period or on the last day of the purchase period. An employee may elect to have up to 20% of annual base pay withheld in equal installments throughout the designated payroll-deduction period for the purchase of shares. The value of an employee's subscription may not exceed \$25,000 in any one calendar year. As of December 31, 1994, there are 1,278,000 shares of Series B common stock reserved for issuance under the ESP Plan. These shares will be adjusted for any future stock dividends or stock splits. The ESP Plan will terminate when all 1,278,000 shares reserved have been subscribed for, unless terminated earlier by the Board of Directors. The ESP Plan is administered by a committee of the Board of Directors. As of December 31, 1994, the number of employees participating in the ESP Plan was 1,561 and the total number of shares subscribed for under the ESP Plan was 240,640.

CITIZENS UTILITIES COMPANY AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(9) **Income Taxes:**

The following is a reconciliation of the provision for income taxes at federal statutory rates to the reported provision for income taxes:

	<u>1994</u>		<u>1993</u>		<u>1992</u>	
			(\$ in thousands)			
Consolidated tax provision at federal statutory rate	\$72,912	35.0%	\$62,275	35.0%	\$53,985	34.0%
Allowance for funds used during construction	(5,051)	(2.4%)	(4,480)	(2.5%)	(2,789)	(1.8%)
Amortization of investment tax credits	(1,949)	(0.9%)	(2,086)	(1.2%)	(2,140)	(1.3%)
State income tax provisions, net of federal income tax benefit	5,262	2.5%	6,432	3.6%	4,989	3.1%
Nontaxable investment income	(6,032)	(2.9%)	(8,339)	(4.7%)	(8,490)	(5.3%)
All other - net	(819)	(0.4%)	(1,504)	(0.8%)	(1,788)	(1.1%)
	<u>\$64,323</u>	<u>30.9%</u>	<u>\$52,298</u>	<u>29.4%</u>	<u>\$43,767</u>	<u>27.6%</u>

For 1994, 1993 and 1992, accumulated deferred income taxes amounted to \$230,556,000, \$194,165,000 and \$72,969,000, respectively, and the unamortized deferred investment tax credits amounted to \$17,594,000, \$19,306,000 and \$22,253,000, respectively. Income taxes paid during the year were \$30,395,000, \$24,139,000 and \$22,798,000 for 1994, 1993 and 1992, respectively.

The components of the net deferred income tax liability at December 31, are as follows:

	<u>1994</u>	<u>1993</u>
	(\$ in thousands)	
<u>Deferred tax liabilities</u>		
Property, plant and equipment basis differences	\$177,549	\$148,756
Regulatory assets	62,578	57,134
Other-net	<u>28,704</u>	<u>25,365</u>
	<u>268,831</u>	<u>231,255</u>
<u>Deferred tax assets</u>		
Deferred investment tax credits	7,183	6,649
Regulatory liabilities	<u>13,498</u>	<u>11,135</u>
	<u>20,681</u>	<u>17,784</u>
Valuation Allowance	<u>0</u>	<u>0</u>
Deferred income taxes	<u>\$248,150</u>	<u>\$213,471</u>

*There was no change in the valuation allowance during 1993.

CITIZENS UTILITIES COMPANY AND SUBSIDIARIES
Notes to Consolidated Financial Statements

The provision for federal and state income taxes, as well as the taxes charged or credited to Shareholders' equity, includes amounts both payable currently and deferred for payment in future periods as indicated below.

<u>Income Taxes Included in the Income Statements:</u>	<u>1994</u>	<u>1993</u>	<u>1992</u>
	(\$ in thousands)		
Current			
Federal	\$28,347	\$39,571	\$37,501
State	<u>3,595</u>	<u>8,682</u>	<u>7,118</u>
	<u>31,942</u>	<u>48,253</u>	<u>44,619</u>
Deferred			
Federal	29,829	4,917	847
Investment tax credits	(1,949)	(2,086)	(2,140)
State	<u>4,501</u>	<u>1,214</u>	<u>441</u>
	<u>32,381</u>	<u>4,045</u>	<u>(852)</u>
Income taxes included in the Income Statement	<u>64,323</u>	<u>52,298</u>	<u>43,767</u>
<u>Income Taxes Included in Shareholders' Equity:</u>			
Deferred income taxes on unrealized gains on securities classified as available-for-sale	5,588	-	-
Current benefit arising from stock options exercised	<u>(137)</u>	<u>(537)</u>	<u>(531)</u>
Income taxes included in Shareholders' Equity	<u>5,451</u>	<u>(537)</u>	<u>(531)</u>
Total income taxes	<u>\$69,774</u>	<u>\$51,761</u>	<u>\$43,236</u>

CITIZENS UTILITIES COMPANY AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(10) Segment Information:

	<u>Year Ended December 31,</u>		
	<u>1994</u>	<u>1993</u>	<u>1992</u>
	(\$ in thousands)		
<u>Telecommunications:</u>			
Revenues	\$461,094	\$177,497	\$186,232
Assets	1,805,893	910,276	325,618
Depreciation	81,659	22,744	22,452
Capital expenditures	177,419	66,619	20,672
Operating income before income taxes	148,720	85,934	85,994
<u>Natural gas:</u>			
Revenues	\$208,940	\$211,892	\$189,812
Assets	306,979	289,121	243,582
Depreciation	10,827	10,646	10,106
Capital expenditures	31,235	25,677	22,280
Operating income before income taxes	30,205	28,971	26,952
<u>Electric:</u>			
Revenues	\$173,585	\$164,515	\$145,032
Assets	458,457	446,284	356,829
Depreciation	15,251	12,924	11,038
Capital expenditures	43,132	43,673	74,502
Operating income before income taxes	31,221	30,660	18,999
<u>Water/Wastewater:</u>			
Revenues	\$ 72,395	\$ 65,488	\$ 59,388
Assets	455,312	400,288	320,985
Depreciation	7,438	8,384	6,531
Capital expenditures	38,884	37,426	25,456
Operating income before income taxes	17,978	15,595	18,529

CITIZENS UTILITIES COMPANY AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(11) Quarterly Financial Data (unaudited):

(\$ in thousands)	Revenues	Net Income		
		Amount	Per Share	
			Series A	Series B
<u>1994</u>				
First quarter	\$223,896	\$31,655	\$.17	\$.17
Second quarter	188,674	38,016	.20	.20
Third quarter	242,309	38,687	.20	.20
Fourth quarter	261,135	35,639	.19	.19

(\$ in thousands)	Revenues	Net Income		
		Amount	Per Share	
			Series A	Series B
<u>1993</u>				
First quarter	\$165,915	\$28,239	\$.15	\$.15
Second quarter	146,170	34,682	.18	.18
Third quarter	145,315	34,269	.18	.18
Fourth quarter	161,992	28,440	.15	.15

The quarterly net income per share amounts are rounded to the nearest cent. Annual earnings per share may vary depending on the effect of such rounding.

(12) Supplemental Cash Flow Information:

Schedule of net cash provided by operating activities for the years ended December 31,

	<u>1994</u>	<u>1993</u>	<u>1992</u>
	(\$ in thousands)		
Net income	\$143,997	\$125,630	\$115,013
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	115,175	54,698	50,127
Deferred income taxes and amortization of investment tax credits	32,381	4,045	(852)
Centennial investment income	(13,481)	(9,594)	(8,803)
Allowance for equity funds used during construction	(11,402)	(10,123)	(6,398)
Change in accounts receivable	(20,663)	(23,068)	(12,372)
Change in accounts payable	21,520	(3,773)	(4,607)
Change in accrued taxes and accrued interest	13,024	24,960	19,672
Other	(18,235)	32,174	(20,740)
Net cash provided by operating activities	<u>\$262,316</u>	<u>\$194,949</u>	<u>\$131,040</u>

(13) Pension and Retirement Plans:

The Company and its subsidiaries have noncontributory pension plans covering all employees who have met certain service and age requirements. The benefits are based on years of service and final average pay or pay rate. Contributions are made in amounts sufficient to fund the plans' current service costs and to provide for benefits expected to be earned in the future. Plan assets are invested in a diversified portfolio of equity and fixed-income securities.

CITIZENS UTILITIES COMPANY AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Pension costs for 1994, 1993 and 1992 include the following components:

	<u>1994</u>	<u>1993</u>	<u>1992</u>
		(\$ in thousands)	
Service cost	\$5,777	\$3,585	\$3,277
Interest cost on projected benefit obligations	8,166	5,038	4,544
Net amortization and deferral	172	1,751	132
Return on plan assets	<u>(9,754)</u>	<u>(6,945)</u>	<u>(5,438)</u>
 Net pension cost	 <u>\$4,361</u>	 <u>\$3,429</u>	 <u>\$2,515</u>

Assumptions used in the computation of pension costs and the actuarial present value of projected benefit obligations included the following:

	<u>1994</u>	<u>1993</u>	<u>1992</u>
Discount rate	8%	7.5%	8%
Expected long-term rate of return on plan assets	8.5%	8%	8.5%
Rate of increase in compensation levels	4.5%	4.5%	5%

As of December 31, 1994, 1993 and 1992, respectively, the fair values of plan assets were \$133,964,000, \$73,233,000 and \$68,506,000. The actuarial present values of the accumulated benefit obligations were \$86,186,000, \$57,216,000 and \$48,661,000 for 1994, 1993 and 1992, respectively. The actuarial present values of the vested accumulated benefit obligation for 1994, 1993 and 1992, respectively, were \$77,053,000, \$54,591,000 and \$46,819,000. The total projected benefit obligations for 1994, 1993 and 1992, respectively, were \$125,943,000, \$75,531,000 and \$63,199,000.

The Company provides certain medical, dental and life insurance benefits for retired employees and their beneficiaries and covered dependents. In January 1993, the Company implemented SFAS 106, "Employers' Accounting for Postretirement Benefits Other than Pensions". SFAS 106 requires the Company to accrue the expected costs of providing postretirement benefits to employees and to employees' beneficiaries and covered dependents during the years the employee renders the necessary service. The Company's 1994 and 1993 annualized costs were approximately \$6,605,000 and \$3,671,000, respectively, of which approximately \$4,261,000 and \$1,601,000 were recorded as regulatory assets for states whose regulatory commissions to date have not but will likely allow recovery of accrued costs in future rate proceedings. The Company's annual cost includes 20-year prospective recognition of the transition obligation. The Company's accumulated postretirement benefit obligation at December 31, 1994 was approximately \$54,986,000. The Company is currently assessing the costs and benefits of alternative funding methods. For measurement purposes, the Company used an 8% discount rate and a 9% annual rate of increase in the per-capita cost of covered health-care benefits, gradually decreasing to 6% in the year 2030 and remaining at that level thereafter. The effect of a 1% increase in the assumed health-care cost trend rates for each future year on the aggregate of the service and interest cost components of the total postretirement benefit cost would be \$529,000 and the effect on the accumulated postretirement benefit obligation for health benefits would be \$5,332,000. The Company recorded \$27,357,000 of accumulated postretirement benefit obligation pursuant to the acquisition of the GTE Telephone Properties.

CITIZENS UTILITIES COMPANY AND SUBSIDIARIES
Notes to Consolidated Financial Statements

The components of the net periodic postretirement benefit cost for the years ended December 31, 1994 and 1993 are as follows:

	<u>1994</u>	<u>1993</u>
	(\$ in thousands)	
Service cost	\$1,826	\$ 845
Interest cost	3,418	1,710
Amortization of transition obligation	1,048	1,116
Other	<u>313</u>	<u>0</u>
Net periodic postretirement benefit cost	<u>\$6,605</u>	<u>\$3,671</u>

The following table sets forth the accrued postretirement benefit liability recognized in the Company's balance sheets at December 31, 1994 and 1993:

	<u>1994</u>	<u>1993</u>
	(\$ in thousands)	
Accumulated postretirement benefit obligation:		
Retirees	(\$14,946)	(\$13,919)
Fully eligible active plan participants	(7,158)	(2,749)
Other active plan participants	<u>(32,882)</u>	<u>(7,328)</u>
Total accumulated postretirement benefit obligation	(54,986)	(23,996)
Unrecognized net (gain) loss	(1,914)	1,563
Unrecognized prior service cost	2,932	(1,477)
Unrecognized transition obligation	<u>18,676</u>	<u>21,201</u>
Net accumulated postretirement benefit obligation	<u>(\$35,292)</u>	<u>(\$2,709)</u>

(14) Commitments and Contingencies:

The Company has budgeted expenditures for facilities in 1995 of approximately \$262,000,000 and certain commitments have been entered into in connection therewith. On November 29, 1994, the Company and ALLTEL Corporation announced the signing of eight definitive agreements pursuant to which Citizens agreed to acquire from ALLTEL, for \$292,000,000, certain properties servicing approximately 110,000 local telephone access lines, and certain cable television systems servicing approximately 7,000 subscribers. The properties are located in eight states: Arizona, California, Nevada, New Mexico, Oregon, Tennessee, Utah and West Virginia. The closings are expected to occur state by state throughout 1995 and the first half of 1996.

Attachment 19
EPSC Application, Question 19

Applicant's proposed tariff is attached.

INTRASTATE TELECOMMUNICATIONS SERVICES TARIFF

CITIZENS TELECOMMUNICATIONS COMPANY

dba

CITIZENS TELECOM

**REGULATIONS, DESCRIPTIONS, AND SCHEDULE OF CHARGES
APPLICABLE TO FURNISHING TELECOMMUNICATIONS SERVICES
WITHIN THE STATE OF FLORIDA**

ISSUED:

EFFECTIVE:

BY:

Director of Regulatory
Citizens Telecommunications Company
3 High Ridge Park
Stamford, CT 06905

INTRASTATE TELECOMMUNICATIONS SERVICES TARIFF

CHECK SHEET

Sheets 1 through 27 inclusive of this tariff are effective as of the date shown. Original and revised sheets as named below contain all changes from the original tariff that are in effect on the date shown.

<u>PAGE</u>	<u>NUMBER OF REVISION</u> <u>(except as indicated)</u>	<u>EFFECTIVE</u> <u>DATE</u>
1	Original	
2	Original	
3	Original	
4	Original	
5	Original	
6	Original	
7	Original	
8	Original	
9	Original	
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24	Original	
25	Original	
26	Original	
27	Original	

ISSUED:

EFFECTIVE:

BY:

Director of Regulatory
Citizens Telecommunications Company
3 High Ridge Park
Stamford, CT 06905

INTRASTATE TELECOMMUNICATIONS SERVICES TARIFF

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ISSUED:

EFFECTIVE:

BY:

Director of Regulatory
Citizens Telecommunications Company
3 High Ridge Park
Stamford, CT 06905

INTRASTATE TELECOMMUNICATIONS SERVICES TARIFF

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BY:

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INTRASTATE TELECOMMUNICATIONS SERVICES TARIFF

CONCURRING CARRIERS

None

CONNECTING CARRIERS

None

OTHER PARTICIPATING CARRIERS

None

EXPLANATION OF SYMBOLS AND ABBREVIATIONS

- | | |
|----------|---|
| D | Indicates discontinued rate or regulation |
| I | Indicates rate increase |
| N | Indicates new rate or regulation |
| R | Indicates rate reduction |
| M | Indicates move in location of text |
| T | Indicates change in text or regulation but no change in rates |

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INTRASTATE TELECOMMUNICATIONS SERVICES TARIFF
APPLICATION OF TARIFF

This tariff contains the regulations and charges that apply to the provision of intrastate telecommunications services by Citizens Telecommunications Company (hereinafter "Company") between various locations within the state of Florida.

TARIFF FORMAT

- A. **Sheet Numbering** - Sheet numbers appear in the upper right corner of the page. Sheets are numbered sequentially. However, new sheets are occasionally added to the tariff. When a new sheet is added between sheets already in effect, a decimal is added. For example, a new sheet added between sheets 14 and 15 would be 14.1.
- B. **Sheet Revision Numbers** - Revision numbers also appear in the upper right corner of each page. These numbers are used to determine the most current sheet version on file with the PSC. For example, the 4th revised Sheet 14 cancels the 3rd revised Sheet 14. Because of various suspension periods, deferrals, etc. the PSC follows in their tariff approval process, the most current sheet number on file with the PSC is not always the tariff page in effect. Consult the Check Sheet for the sheet currently in effect.
- C. **Paragraph Numbering Sequence** - There are nine levels of paragraph coding. Each level of coding is subservient to its next higher level:
2.
2.1.
2.1.1.
2.1.1.A.
2.1.1.A.1.
2.1.1.A.1.(a).
2.1.1.A.1.(a).I.
2.1.1.A.1.(a).I.(i).
2.1.1.A.1.(a).I.(i).(1).
- D. **Check Sheets** - When a tariff filing is made with the PSC, an updated check sheet accompanies the tariff filing. The check sheet lists the sheet contained in the tariff, with a cross reference to the current revision number. When new pages are added, the check sheet is changed to reflect the revision. All revisions made in a given filing are designated by an asterisk (*). There will be no other symbols used on this page if these are the only changes made to it (i.e., the format, etc. remains the same, just revised revision levels on some pages). The tariff user should refer to the latest check sheet to find out if a particular sheet is the most current on file with the PSC.

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INTRASTATE TELECOMMUNICATIONS SERVICES TARIFF

SECTION 1

DEFINITION OF TERMS

ACCESS LINE: An arrangement that connects a customer location to the Company's switching location.

AUTHORIZATION CODE: A numerical code, one or more of which are assigned to a customer to enable Company to identify use of service on his or her account and to bill the customer accordingly for such service. Multiple authorization codes may be assigned to a customer to identify individual users or groups of users on his or her account.

BUSINESS CUSTOMER: A customer whose use of service is primarily or substantially of a professional, business, institutional, occupational or other commercial nature.

COMPANY: Citizens Telecommunications Company d.b.a. as Citizens Telecom.

CHANNEL: Communications path between two or more points.

CUSTOMER: The person, firm, corporation, or other entity which orders or uses service and is responsible for the payment of rates and charges and compliance with tariff regulations.

DEDICATED PORT: A port on Company's switching facility which is dedicated, at extra charge, to customer's exclusive use and which is to customer's premises by a private line furnished by customer.

EQUAL ACCESS: The ability for a customer to select their primary long distance company.

FACILITIES: Any cable, equipment or facilities used to provide the service offered under this tariff.

HOME AREA: The local calling area associated with switched access.

INTRASTATE COMMUNICATIONS: Any communication that originates and terminates within the same state and is subject to the oversight by a state regulatory commission as provided by the laws of that state.

LOCAL ACCESS AND TRANSPORT AREA (LATA): The term Local Access Transport Area denotes a geographic area established by the US District court for the District of Columbia in Civil Action No. 82-0192 within which a local exchange company or companies provide communications services.

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INTRASTATE TELECOMMUNICATIONS SERVICES TARIFF

SECTION 1**DEFINITION OF TERMS (cont'd)**

POINT OF DEMARCATION: The point of interconnection between the Company communications facilities and Customer provided facilities as defined in Part 68 of the Federal Communications Commissions Rules and Regulations.

POINT OF ORIGINATION: The Company's switch location accessed by the customer for the purpose of making a call using Company's service.

POINT OF TERMINATION: The point of demarcation within a Customer premises at which the Company's responsibility for the provision of service ends.

REMOTE ACCESS CODE: A code to permit customers to access the Company switch in areas other than customers' home area.

RESIDENTIAL CUSTOMER: A customer whose use of service is primarily personal and domestic nature.

SERVICE OR SERVICES: The services covered by this tariff shall include only the State of Florida.

SERVICE DATE: The date that billing starts for service or any service component.

SERVICE COMPONENT: Service components include access arranged by the Company, Authorization Codes, ports, traffic management services, and voice or data transmission facilities or capabilities.

SERVING WIRE CENTER: The wire center from which the Customer premises normally obtains dial tone.

SPECIAL ACCESS CIRCUIT: A physical pathway for the transmission of information between a dedicated originating point and a dedicated terminating point.

SPECIFIC PROJECT CODE: Specifically assigned code by customer for billing to that activity within customer's business.

SPECIAL REQUEST: Any modification that is performed by the Company at the customers request that is above and beyond normal service and or access use.

TERMINAL EQUIPMENT: Telecommunications devices, apparatus, and their associated wiring, such as teleprinters, telephone and data sets.

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INTRASTATE TELECOMMUNICATIONS SERVICES TARIFF

SECTION 2**RULES AND REGULATIONS****2.1 OBLIGATION OF THE COMPANY**

In furnishing facilities and service, the Company does not undertake to transmit messages, but furnishes the use of its facilities to its customers for communications.

The Company's obligation to furnish facilities and service is dependent upon its ability (a) to secure and retain, without unreasonable expense, suitable facilities and rights for the construction and maintenance of the necessary circuits and equipment; (b) to secure and retain without reasonable expense, suitable space for its plant and facilities in the building where service is or is to be provided to the Customer; or (c) to secure reimbursement of all costs where the owner or operator of a building demands relocation or rearrangement of plant and facilities used in providing service herein.

The Company shall not be required to furnish, or continue to furnish, facilities or service where the circumstances are such that the proposed use of the facilities or service would tend to adversely affect the Company's plant, property, or service.

The Company reserves the right to refuse an application for service made by a present or former customer who is indebted to the Company for services previously rendered pursuant to this tariff until the indebtedness is satisfied.

Service is offered subject to the availability of the necessary facility and/or equipment and subject to the provisions of this tariff. Company reserves the right not to provide service to or from a location where the necessary facilities or equipment are not available.

The Company reserves the right to discontinue furnishing service, upon written notice, when necessitated by conditions beyond its control, or when the customer is using the service in violation of the provisions of this tariff, the rules and regulations of the Florida Public Service Commission or in violation of the law.

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INTRASTATE TELECOMMUNICATIONS SERVICES TARIFF

SECTION 2**RULES AND REGULATIONS (cont'd)****2.2 LIMITATIONS ON LIABILITY****2.2.1 Indemnification by Customer**

The Customer shall indemnify and hold the Company harmless against claims for libel, slander, or infringement of copyright arising from the material transmitted over its facilities; against claims for infringement of patents arising from combining with, or using in connection with, the facilities of claims arising out of any act or omission of the Customer in connection with the facilities provided by the Company or the Customer.

2.2.2 General Liability

The liability of the Company for damages arising out of mistakes, omissions, interruptions, delays, errors or defects in transmission occurring in the course of furnishing service, and not caused by the negligence of the Customer, shall in no event exceed an amount equivalent to the proportionate charge to the Customer for the period of service during which such mistake, omission, interruption, delay, error or defect in transmission occurs; provided, however, that the Company shall have no liability for any such period which is less than the minimum duration specified for the particular service in the regulations applicable to such service set forth in this tariff.

2.2.3 Acts of God

The Company shall not be liable for, shall be excused from performance during, and the Customer shall not be liable for charges related to the Company's excused performance during any failure of performance due to causes beyond its control, including, but not limited to, Acts of God, fires, floods, earthquakes, hurricanes, or other catastrophes; national emergencies, insurrections, riots or wars; strikes, lockouts, work stoppages or other labor difficulties; unavailability or non-performance of facilities provided by others; and any law, order, regulation or other action of any governing authority or agency thereof.

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INTRASTATE TELECOMMUNICATIONS SERVICES TARIFF

SECTION 2**RULES AND REGULATIONS (cont'd)****2.2 LIMITATIONS ON LIABILITY (cont'd)****2.2.4 Customer-Provided Equipment**

The services and facilities furnished by the Company are subject to the following limitations: the Company shall not be liable for damage arising out of mistakes, omissions, interruptions, delays, errors or defects in transmission or other injury, including but not limited to persons or property from voltages or currents transmitted over the facilities of the Company caused by customer-provided equipment or premises wire.

2.2.5 Use of Facilities of Other Companies

When the facilities of other companies are used in establishing a connection, the Company is not liable for any act, error, omission, or interruption caused by the other company or their agents or employees. This includes the provision of a signaling system database by another company.

2.3 USE OF SERVICE

Service is furnished for use by the Customer but may be used by others when so authorized by the Customer. Service may be resold or shared and the Customer may advise its user that a portion of its service is provided by the Company. However, the customer shall not represent that the Company jointly participates with the Customer in the provision of its service.

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INTRASTATE TELECOMMUNICATIONS SERVICES TARIFF

SECTION 2**RULES AND REGULATIONS (cont'd)****2.4 OWNERSHIP OF EQUIPMENT**

The Company's equipment, apparatus, channels and lines shall be carefully used. Equipment furnished by the Company shall remain its property and shall be returned to the Company whenever requested, within a reasonable period following the request, in good condition (subject to reasonable wear and tear). The Customer is required to reimburse the Company for any loss of, or damage to the facilities or equipment on the Customers premises, including loss or damage caused by agents, employees, or independent contractors of the Customer through any negligence.

2.5 BLOCKING OF SERVICE

The Company's facilities cannot be used to originate calls to other telephone companies' caller-paid information services. This includes, but is not limited to, calls to NPA 900, NXX 976, NXX 970, and other NXXs assigned to these services. Calls to those numbers and other numbers used for caller-paid information services will be blocked by the Company.

2.6 PAYMENT FOR SERVICES PROVIDED**2.6.1 Payment of Charges**

Payment for service is due upon presentation of the bill. Service may be denied for nonpayment of a bill. The Customer is responsible for safeguarding the service from use by unauthorized persons, and to pay all charges for use of the service by any persons whether or not authorized by the Customer, except in those instances where it has been determined that the Customer's present and former employees, agents and authorized users were not responsible for calls billed to the Customer via third party billing and the Company did not verify that the charges for the call would be accepted. The Customer is not responsible for unauthorized use of service to the extent such use is proximately caused by the Company's willful or negligent act.

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INTRASTATE TELECOMMUNICATIONS SERVICES TARIFF

SECTION 2**RULES AND REGULATIONS (cont'd)****2.6 PAYMENT FOR SERVICES PROVIDED (cont'd)****2.6.2 Collection Charges**

In the event the Company incurs fees or expenses, including attorneys fees, collecting, or attempting to collect any charges owed to the Company, the Company may charge the Customer all such fees and expenses reasonably incurred, including a collection fee on the overdue charges accruing at the highest rate allowed by law.

2.6.3 Return Check Charge

An Administrative Charge may apply for any customer check returned for insufficient funds or any other reason.

2.6.4 Late Payment Charges

- a. Customer bills for telephone service are due on the date specified on the bill. A Customer is in default unless payment is made on or before the due date specified on the bill. If payment is not received by the Customer's next billing date, a late payment charge at the highest rate allowed by law will be applied to all amounts previously billed under this tariff including arrears and unpaid late payment charges.
- b. Late payment charges do not apply to those portions (and only those portions) of unpaid balances that are associated with disputed amounts. Undisputed amounts on the same bill are subject to late payment charges if unpaid and carried forward to the next bill.
- c. Late payment charges do not apply to final accounts.

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INTRASTATE TELECOMMUNICATIONS SERVICES TARIFF

SECTION 2**RULES AND REGULATIONS (cont'd)****2.6 PAYMENT FOR SERVICES PROVIDED (cont'd)****2.6.5 Customer Overpayments**

The Company will provide interest on Customer overpayments that are not refunded within 30 days of the date the Company receives the overpayment. An overpayment is considered to have occurred when payment in excess of the correct charges for service is made because of erroneous Company billing. The Customer will be issued reimbursement for the overpayment, plus interest, or, if agreed to by the Customer, credit for the amount will be provided on the next regular Company bill. The rate of interest shall be the Company's applicable Late Payment Charge.

Interest shall be paid from the date when overpayment was made, adjusted for any changes in the late payment rate, and compounded monthly, until the date when the overpayment is refunded. The date when overpayment is considered to have been made will be the date on which the Customer's overpayment was originally recorded to the Customer's account by the Company.

2.7 ACCESS TO CUSTOMERS PREMISES

The Customer shall be responsible for making arrangements or obtaining permission for Company employees or agents of the Company to enter the premises of the Customer or any joint user or Customer of the Customer at any reasonable hour for the purpose of inspecting, repairing, testing or removing any part of the Company's facilities.

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INTRASTATE TELECOMMUNICATIONS SERVICES TARIFF

SECTION 2**RULES AND REGULATIONS (cont'd)****2.8 INTERCONNECTION**

Service furnished by Company may be interconnected with services or facilities of other authorized communications common carriers and with private systems, subject to the technical limitation established by Company. Service furnished by Company is not part of a joint undertaking with such other carriers. Any special interface equipment or facilities necessary to achieve compatibility between the facilities of Company and other participating carriers shall be provided at the customer's expense.

Interconnection with the facilities or services of other carriers shall be under the applicable terms and conditions of the other carrier's tariffs. The customer is responsible for taking all necessary legal steps for interconnecting his or her customer- provided terminal equipment of communication systems with the Company. Customers shall secure all licenses, permits, rights-of-way, and other arrangements necessary for such interconnections.

2.9 SUSPENSION OR TERMINATION OF SERVICE**2.9.1 Suspension or Termination for Nonpayment**

In the event that any bill rendered is not paid, the Company may terminate or suspend service until the bill has been paid. If service is suspended or terminated for nonpayment, the Customer must pay any payment due prior to reconnection.

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INTRASTATE TELECOMMUNICATIONS SERVICES TARIFF

SECTION 2

RULES AND REGULATIONS (cont'd)

2.9 SUSPENSION OR TERMINATION OF SERVICE (cont'd)

2.9.2 Exceptions to Suspension and Termination

Suspension or termination of service shall not be made until:

- a. At least 10 days after written notice has been served personally on the Customer, or at least 20 days after written notification has been mailed to the billing address of the Customer or;
- b. At least 10 days after the Customer has either signed for or refused to sign for a registered letter containing written notification mailed to the billing address of the Customer.

Service shall not be suspended or terminated for nonpayment on weekends, public holidays, other federal and state holidays proclaimed by the President or the Governor, or on days when the main business office of the Company is not open for business.

Service shall not be suspended or terminated for:

- a. Non-payment of bills rendered for charges other than telephone service;
- b. Non-payment for services for which a bill has not been rendered;
- c. Non-payment for services which have not been rendered;
- d. Non-payment for any billed amount which is in dispute during the period before resolution of the dispute is made by the Company in accordance with the Company's complaint handling procedures. Service may be suspended or terminated for nonpayment of the undisputed portion of a disputed bill if the Customer does not pay the undisputed amount after being asked to do so;
- e. Non-payment of backbilled amounts as outlined in the preceding.

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INTRASTATE TELECOMMUNICATIONS SERVICES TARIFF

SECTION 2

RULES AND REGULATIONS (cont'd)

2.9 SUSPENSION OR TERMINATION OF SERVICE (cont'd)

2.9.3 Verification of Non-payment

Service shall not be terminated or suspended for non-payment of a bill rendered unless:

- a. The Company has verified, in a manner approved by the Florida Public Service Commission, that payment has not been received at any office of the Company or at any office of an authorized collection agent through the end of the period indicated in the notice;
- b. The Company has checked the Customers account on the day that suspension or termination is to occur to determine whether payment has been posted to the Customers account as of the opening of business on that day.

2.9.4 Termination For Cause Other Than Non-payment:

- 2.9.4.A The Company may, immediately and without notice to Customer, and without liability of any nature, temporarily deny, terminate, or suspend Service to any Customer who:
- a. Willfully damages the Company equipment, interferes with use of the Company's Service by other Customers of the Company;
 - b. Unreasonably places capacity demands upon the Company's facilities or Service;
 - c. Violates any statute or provision of law, or any rule or regulation of any state or federal regulatory agency relating to communications;
 - d. Otherwise fails to comply with the provisions of this Tariff or applicable law;

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INTRASTATE TELECOMMUNICATIONS SERVICES TARIFF

SECTION 2

RULES AND REGULATIONS (cont'd)

2.9 SUSPENSION OR TERMINATION OF SERVICE (cont'd)

2.9.4 Termination For Cause Other Than Non-payment (cont'd):

2.9.4.B In the event a Customer becomes insolvent, is the subject of any formal legal proceeding commenced in a court involving a voluntary or involuntary petition or proceeding in bankruptcy, seeks protection or relief from creditors in a formal legal proceeding after a filing for such relief, or executes an assignment for the benefit of creditors; the Company may immediately and without notice to the Customer and without liability of any nature deny, terminate, or suspend service to the Customer.

2.9.4.C In the event that the Company determines that any Service is being used fraudulently or illegally, whether by a Customer or its agent, the Company may immediately and without notice to the Customer and without liability of any nature deny, terminate, or suspend service to the Customer.

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INTRASTATE TELECOMMUNICATIONS SERVICES TARIFF

SECTION 2

RULES AND REGULATIONS (cont'd)

2.10 PROVISIONS APPLICABLE TO CUSTOMERS

2.10.1 Cancellation of Service by the Customer

Service may be canceled by the Customer by giving notice to the Company up to the day cancellation is requested.

If the Customer orders service requiring special facilities dedicated to the customer's use and then cancels the order before the service begins, or before completion of some other period mutually agreed upon by the Customer and Company, a charge will be made to the customer for the non-recoverable portions of expenditures or liabilities incurred expressly on behalf of the Customer by Company and not fully reimbursed by installation and monthly charges. If, based on the order, any construction has either begun or been completed, but no service provided, the non-recoverable cost of such construction shall be born by the Customer. Such charges will be determined on an individual case basis.

2.10.2 Dishonored Checks

If a business Customer who has received a notice of discontinuance pays the bill with a check that is subsequently dishonored, the account remains unpaid and the Company is not required to issue any additional notice before disconnecting service.

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INTRASTATE TELECOMMUNICATIONS SERVICES TARIFF

SECTION 3

SERVICE AND PROMOTIONAL TRIALS

3.1 SERVICE TRIALS AND SPECIAL PROMOTIONS

The Company may establish temporary promotional programs wherein it may waive or reduce non-recurring or recurring charges, to introduce present or potential customers to a service not previously subscribed to by the Customer. Approval for such promotions will be sought from the PSC, will have specified starting and ending dates, and each such promotion will not exceed 90 days in any 12 month period.

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INTRASTATE TELECOMMUNICATIONS SERVICES TARIFF

SECTION 4

SPECIAL ARRANGEMENTS

4.1 CONTRACT PRICING PLAN

Rates for CONTRACT PRICING PLANS will be developed on a case-by-case basis in response to a bona fide request from a customer or prospective customer for services which vary from tariffed arrangements. Rates quoted in response to such requests may be different for tariffed services than those specified herein. CONTRACT PRICING PLAN rates will be offered to customers in writing and will be made available to similarly situated customers. A summary of each CONTRACT PRICING PLAN arrangement offered pursuant to this paragraph will be filed in Section 8 of this tariff within 30 days after the contract is signed by both the Company and the Customer.

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INTRASTATE TELECOMMUNICATIONS SERVICES TARIFF

SECTION 5**SERVICE OFFERINGS****5.1 GENERAL SERVICE DESCRIPTION**

Intrastate telecommunications services are available for calls originating from any service location within the state of Florida and terminating at any point within the state.

A customer may originate a call over the Company's switched network by presubscribing to the Company's service to place calls on a direct dialed basis or on an ad hoc basis by dialing the Company's Carrier Identification Code.

Intrastate Customers have access to the Company's Interstate and International communications services which are covered under separate tariff as governed by the rules and regulations of the Federal Communications Commission.

All Services, 1+ Switched Access, 800 Service and Calling Card Service, will be billed directly by the Company to the Customer. Usage charges are based on the actual usage of the Company's services. Call timing begins when the called party picks up the receiver, and ends when either party hangs up.

The Company procures facilities in a manner designed to ensure that no more than 10% of all calls are blocked during the busy hour of the average business day.

5.2 BUSINESS 1+ SWITCHED ACCESS SERVICE DESCRIPTION

1+ Switched Access gives customers the capability to originate and terminate IntraLATA and Intrastate calls. A customer using switched facilities may presubscribe to the Company's service to originate calls on a direct dialed basis, or may access the Company's switched network by adding the Company's Carrier Identification Code to the dialing string. A 2% early payment discount is given to the customer for paying bills within ten (10) days from the billing date.

The service is flat rated and billed in six (6) second increments.

Features include:

- Domestic intrastate direct dial calling.
- Single point of customer contact for all service offerings.
- Six second increment billing.

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INTRASTATE TELECOMMUNICATIONS SERVICES TARIFF

SECTION 5**SERVICE OFFERINGS (cont'd)****5.3 BUSINESS 800 SERVICE DESCRIPTION**

Business 800 Service is an inbound toll free service that is ordered and billed to the Customer receiving the call. It is provided on a switched access basis and is billed directly to the Customer by the Company. A Customer may be assigned one or multiple 800 numbers that allow the customer's end users to place a call to the customer free of charge. A 2% early payment discount is given to the customer for paying bills within ten (10) days from the billing date.

Service is flat rated with an initial billing increment of six (6) seconds with additional increments of six (6) seconds.

Features include:

- Intrastate and Interstate 800 calls over the same local access line.
- International origination.
- Detailed call record lists originating phone numbers for all 800 calls.
- Vanity 800 numbers available at no extra charge.

5.4 BUSINESS CALLING CARD SERVICE DESCRIPTION

Business Calling Card Service gives Customers the ability to make toll calls from anywhere. Customers may choose their own 10 digit authorization number (code) and a four (4) digit Personal Identification Number (PIN). Calls are billed in one minute increments, and are flat rated. A 2% early payment discount is given to the customer for paying bills within ten (10) days from the billing date.

Features include:

- Speed dialing where customers can personally program up to nine (9) speed dial numbers that can be stored for future access.
- Series Calling enables customers to make multiple calls without dialing the 800 number or authorization number.

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INTRASTATE TELECOMMUNICATIONS SERVICES TARIFF

SECTION 6**RATES AND CHARGES****6.1 DESCRIPTION OF CHARGES AND RATE COMPONENTS**

Intrastate communications charges are based on a flat minute of use rate multiplied by the appropriate incremental billing seconds as shown in 6.1.1 below. The duration of each call will be rounded off to the nearest higher increment for billing purposes. Additionally, fractional cents will be rounded off to the nearest higher cent.

6.1.1 Incremental Billing Seconds

Service Offering	6 & 6	30 & 6	60 & 60
Business Direct Billed: 1+ Switched Access	X		
800	X		
Calling Card			X

Unless specified otherwise in this Tariff, the duration of each call for bill purposes will be rounded off to the nearest higher increment.

6.1.2 Service Options and Contract Services

In lieu of the rates specified in the following, the Company, pursuant to Section 4 of this tariff, may provide to all qualified Customers similarly situated, certain promotional offerings, special contract rates and term discounts, subject to the extent of network availability, technical capacity and economic factors.

6.2 BUSINESS SERVICE RATES**6.2.1 Business Direct Billed Service Rates**

1+ Switched Access	\$0.149/minute
800 Service	\$0.149/minute
Calling Card Service	\$0.160/minute
Calling Card Surcharge	\$0.60/call

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INTRASTATE TELECOMMUNICATIONS SERVICES TARIFF

SECTION 7

PROMOTIONAL OFFERINGS AND RATES

RESERVED FOR FUTURE USE

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BY:

Director of Regulatory
Citizens Telecommunications Company
3 High Ridge Park
Stamford, CT 06905

INTRASTATE TELECOMMUNICATIONS SERVICES TARIFF

SECTION 8

CONTRACT PRICING PLAN

RESERVED FOR FUTURE USE

ISSUED:

EFFECTIVE:

BY:

Director of Regulatory
Citizens Telecommunications Company
3 High Ridge Park
Stamford, CT 06905

CORPORATE DETAIL RECORD SCREEN

STATE: FLORIDA STATE ACTIVE/ FOREIGN PROF FID: 06/02/1997

FILE NO: 13933

NAME: CITIZENS TELECOMMUNICATIONS COMPANY

INCORPORATED IN: LOUISIANA, 11/0

INCORPORATED: 08/19/01

ALIAS NAME: THE PRENTICE-HALL CORPORATION SYSTEMS, INC

ALIAS INCORPORATED IN: 1001 HAYS ST., #100

TALLAHASSEE, FL 32301 US

STATUS: * NONE FILED *

U. OFFICERS, T. LIST, S. NEXT, R. PREV

OFFICERS AND CR:

OFFICER/DIRECTOR DETAIL SCREEN

FILE NO: 13933-0002696 CORP NAME: CITIZENS TELECOMMUNICATIONS COMPANY

OFFICER NAME: ESCOFF, RODNEY
3 HIGH RIDGE PARK
STAMFORD, CT

OFFICER NAME: LAZARUS, DANIEL
3 HIGH RIDGE PARK
STAMFORD, CT

OFFICER NAME: WEISS, CHARLES J
3 HIGH RIDGE PARK
STAMFORD, CT

OFFICER NAME: DEBANTIC, ROBERT J
3 HIGH RIDGE PARK
STAMFORD, CT

OFFICER NAME: OW, MELNOR
3 HIGH RIDGE PARK
STAMFORD, CT

OFFICER NAME: PARLISON, DARVE
3 HIGH RIDGE PARK
STAMFORD, CT

OFFICER NAME: WOOD, A. WENDY, S. JILL, S. JOE

OFFICER NAME: WOOD, A. WENDY, S. JILL, S. JOE

OFFICERS AND CR:

State of Florida



Department of State

I certify the attached is a true and correct copy of the Application by Foreign Corporation for Authorization to Transact Business in Florida for CITIZENS TELECOMMUNICATIONS COMPANY, a Delaware corporation authorized to transact business in the State of Florida, qualified on June 2, 1995, as shown by the records of this office.

The document number of this corporation is F95000002696.

Given under my hand and the
Great Seal of the State of Florida,
at Tallahassee, the Capitol, this the
Fourteenth day of March, 1996



CR2EO22 (2-95)

Sandra B. Northam

Sandra B. Northam
Secretary of State

**APPLICATION BY FOREIGN CORPORATION FOR AUTHORIZATION TO
TRANSACTION BUSINESS IN FLORIDA**

**IN COMPLIANCE WITH SECTION 607.1803, FLORIDA STATUTES, THE FOLLOWING IS
SUBMITTED TO REGISTER A FOREIGN CORPORATION TO TRANSACTION BUSINESS IN THE
STATE OF FLORIDA:**

1. CITIZENS TELECOMMUNICATIONS COMPANY

(Name of corporation; must include the word "INCORPORATED", "COMPANY", "CORPORATION" or words or abbreviations of like import in language as will clearly indicate that it is a corporation instead of a natural person or partnership if not so contained in the name at present.)

2. DELAWARE

(State or country under the law of which it is incorporated)

3. 06-0879038

(FEI number, if applicable)

4. JULY 1, 1993

(Date of incorporation)

5. PERPETUAL

(Duration: Year corp. will cease to exist or "perpetual")

6. Anticipated in Summer 1995

(Date first transacted business in Florida. (See sections 607.1801, 607.1802, and 617.198, F.S.)

7. c/o Prentice Hall/CSC

32 Lookerman Ste. 100, Dover, DE 19901

(Current mailing address)

8. To engage in any lawful act or activity for which corporations are authorized
(Purpose(s) of corporation authorized in home state or country to be carried out in the state of Florida)

9. Name and street address of Florida registered agent:

Name: **THE PRENTICE-HALL CORPORATION SYSTEMS, INC.**

Office Address: **1201 HAYS STREET, SUITE 105**

TALLAHASSEE

, Florida, 32301

(Zip Code)

10. Registered agent's acceptance:

Having been named as registered agent and to accept service of process for the above stated corporation at the place designated in this application, I hereby accept the appointment as registered agent and agree to act in this capacity. I further agree to comply with the provisions of all statutes relative to the proper and complete performance of my duties, and I am familiar with and accept the obligations of my position as registered agent.


(Registered agent's signature)

11. Attached is a certificate of existence duly authenticated, not more than 90 days prior to delivery of this application to the Department of State, by the Secretary of State or other official having custody of corporate records in the jurisdiction under the law of which it is incorporated.

95 JUN -2 PM 3:42
FILED
SECRETARY OF STATE
TALLAHASSEE, FLORIDA

12. Names and addresses of officers and/or directors:

A. DIRECTORS

Chairman: _____

Address: _____

DIRECTOR:
~~Vice Chairman~~ Rodney Egdorf

Address: 3 High Ridge Park

Stamford, CT

Director: Leonard Tov

Address: 3 High Ridge Park

Stamford, CT

Director: Daryl Ferguson

Address: 3 High Ridge Park

Stamford, CT

B. OFFICERS

President: Rodney Egdorf

Address: 3 High Ridge Park

Stamford, CT

Vice President: Daniel Lazarek

Address: 3 High Ridge Park

Stamford, CT

Secretary: Charles J. Weiss

Address: 3 High Ridge Park

Stamford, CT

Treasurer: Robert J. DiSantis

Address: 3 High Ridge Park

Stamford, CT

NOTE: If necessary, you may attach an addendum to the application listing additional officers and/or directors.

13. 
(Signature of Chairman, Vice Chairman, or any officer listed in number 12 of the application)

14. Charles J. Weiss, Secretary
(Typed or printed name and capacity of person signing application)

FILED
95 JUN -2 PM 3:42
SECRETARY OF STATE
TALLAHASSEE, FLORIDA

Office of the Secretary of State

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "CITIZENS TELECOMMUNICATIONS COMPANY" IS DULY INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL CORPORATE EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE FIRST DAY OF JUNE, A.D. 1995.



FILED
95 JUN -2 PM 3:42
SECRETARY OF STATE
TALLAHASSEE, FLORIDA



Edward J. Freel

Edward J. Freel, Secretary of State

2342001 0300

950121523

AUTHENTICATION 7524532

DATE 06-01-95

4

State of Florida



Department of State

I certify the attached is a true and correct copy of the Application for Registration of Fictitious Name of CITIZENS TELECOM, registered with the Department of State on March 1, 1996, as shown by the records of this office.

The registration number of this fictitious name is G96061900035.

Given under my hand and the
Great Seal of the State of Florida,
at Tallahassee, the Capitol, this the
Fourteenth day of March, 1996



CR2EO22 (2-95)

Sandra B. Northam

Sandra B. Northam
Secretary of State

APPLICATION FOR REGISTRATION OF FICTITIOUS NAME

FILED
SECRETARY OF STATE
DIVISION OF CORPORATIONS

96 MAR -1 AM 11:12

G96061900035

Section 1

1. CITIZENS TELECOM
Fictitious Name to be Registered
2. 1201 Days Street
Mailing Address of Business
- City Tallahassee Florida 32301
Zip Code
3. Florida County Leon
4. FEI Number: 06-1381497

This space for office use only

Section 2

A. Owner(s) of Fictitious Name if Individual(s) (use an attachment if necessary):

- | | |
|---|---|
| 1. Last _____ First _____ M.I. _____
Address _____
City _____ State _____ Zip Code _____
SSN _____ | 2. Last _____ First _____ M.I. _____
Address _____
City _____ State _____ Zip Code _____
SSN _____ |
|---|---|

B. Owner(s) of Fictitious Name if Corporation(s) (use an attachment if necessary):

- | | |
|---|--|
| 1. <u>CITIZENS TELECOMMUNICATIONS COMPANY</u>
Corporate Name
<u>3 High Ridge Park</u>
Address
<u>Stamford, CT 06905</u>
City State Zip Code
Florida Corporate Document No.: <u>F 95000002696</u>
FEI Number: <u>06-1381497</u>
<input type="checkbox"/> Applied for <input type="checkbox"/> Not Applicable | 2. _____
Corporate Name
Address _____
City _____ State _____ Zip Code _____
Florida Corporate Document No.: _____
FEI Number: _____
<input type="checkbox"/> Applied for <input type="checkbox"/> Not Applicable |
|---|--|

I (we) the undersigned, being the sole (all the party/ies) owning interest in the above fictitious name, certify that the information indicated on this form is true and accurate. I (we) further certify that the fictitious name shown in Section 1 of this form has been advertised at least once in a newspaper as defined in chapter 50, Florida Statutes, in the county where the applicant's principal place of business is located. I (we) understand that the signature(s) below shall have the same legal effect as if made under oath. (At Least One Signature Required)

Section 3

Signature of Owner: [Signature] Date: _____
Phone Number: 203-328-8800

FOR CANCELLATION COMPLETE SECTION 4 ONLY: FOR FICTITIOUS NAME OWNERSHIP CHANGE COMPLETE SECTIONS 1 THROUGH 4:

Section 4

I (we) the undersigned, hereby cancel the fictitious name _____
_____ which was registered on _____ and was assigned
registration number _____
Signature of Owner _____ Date _____

Mark the applicable boxes

- Certificate of Status — \$10 Certified Copy — \$30

FILING FEE: \$50

Note: Acknowledgements/certificates will be sent to the address in Section 1 only.

FEB 26 '96 14:14

CR4E-001 (1/91)

PRICE .83

FILED
96 MAR 11
SECRETARY OF STATE
TALLAHASSEE, FLORIDA