



# Department of Justice

FOR IMMEDIATE RELEASE  
MONDAY, JUNE 25, 2007  
WWW.USDOJ.GOV

AT  
(202) 514-2007  
TDD (202) 514-1888

## **TELEPHONE COMPANY IN PENNSYLVANIA ELIMINATES PROVISIONS RESTRICTING COMPETITION TO ADDRESS JUSTICE DEPARTMENT CONCERNS**

### ***Procompetitive Changes to Rural Incumbent Telephone Company's Settlements with New Entrants Will Deter Misuse of Regulatory Challenges and Benefit Rural Pennsylvania Telephone Customers***

WASHINGTON — The Department of Justice announced today that Citizens Communications has agreed to remove restrictive terms from settlement agreements that Commonwealth Telephone Enterprises had previously entered into with two cable companies in Pennsylvania, Blue Ridge and Service Electric, in order to alleviate antitrust concerns raised by the Department. The settlement terms limited the cable companies' ability to compete with Commonwealth, which was recently acquired by Citizens.

Blue Ridge and Service Electric, in 2006 and 2005 respectively, requested authority for their telephone affiliates to provide local telecommunications services in Commonwealth's rural telephone service area. The entry of Blue Ridge and Service Electric presented the first opportunity for widespread residential competition in that area, and Commonwealth filed protests regarding the requests before the Pennsylvania Public Utility Commission. In 2006, Commonwealth entered into settlement agreements with Blue Ridge and Service Electric, obtaining terms that restricted the geographic scope of the companies' entry in exchange for agreeing to withdraw the protests against certification.

The Department's Antitrust Division informed Commonwealth of its competitive concerns about these settlements in early 2007, before Commonwealth's acquisition by Citizens was consummated. These private agreements are not immune from the antitrust laws even though they are related to regulatory proceedings. In response to the Division's concerns, Citizens has agreed to amend its settlement agreements with Blue Ridge and Service Electric to remove the restrictions imposed on their entry. The Department said that removal of these competition restrictions will remove a substantial impediment to entry by these cable companies.

"The actions that Citizens has taken are a good result for rural telephone customers in Pennsylvania," said Thomas O. Barnett, Assistant Attorney General in charge of the Department's Antitrust Division. "Cable companies and other facilities-based competitors should be able to enter telecommunications service markets without facing unnecessary barriers."

In addition to modifying the agreements with Blue Ridge and Service Electric, Citizens has also made binding commitments not to oppose future applications by either company to provide voice telephone services using their own facilities. In addition, Citizens has given all of the cable television operators in its Pennsylvania service area rights to enforce a separate private settlement it had entered into with the Broadband Cable Association of Pennsylvania in connection with the merger with Commonwealth. Under this agreement, Citizens has provided assurances that it will not protest future applications by these companies to provide facilities-based telephone services in its territory.

The Department's concerns about misuse of the state certification process to obtain anticompetitive private settlements were explained in comments filed with the Pennsylvania Public Utility Commission in March 2007. In those comments the Department also urged the Commission to modify its application procedures so that facilities-based competitors could enter rural telecommunications services markets more quickly. The comments can be found at <http://www.usdoj.gov/atr/public/comments/222233.htm>. The Department will continue to advocate the benefits of competition in appropriate cases to urge regulators to make entry procedures easier and less susceptible to anticompetitive manipulation.

###

07-448