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BEFORE THE ARIZONA CORPORATION COMMISSION

DOCKETED

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CARL J. KUNASEK
Commissioner - Chairman
JIM IRVIN
Commissioner
WILLIAM A. MUNDELL
Commissioner

DOCKETED BY JM

IN THE MATTER OF THE APPLICATION)
OF THE ARIZONA ELECTRIC DIVISION)
OF CITIZENS COMMUNICATIONS)
COMPANY TO CHANGE THE CURRENT)
PURCHASE POWER AND FUEL)
ADJUSTMENT CLAUSE RATE, TO)
ESTABLISH A NEW PURCHASED POWER)
AND FUEL ADJUSTMENT CLAUSE BANK)
AND TO REQUEST APPROVED)
GUIDELINES FOR THE RECOVERY OF)
COSTS INCURRED IN CONNECTION)
ENERGY RISK MANAGEMENT)
WITH INITIATIVES)

DOCKET NO. E-01032C-00-0751

DECISION NO. 63139

ORDER

Open Meeting
November 8, 2000
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. On September 28, 2000, the Arizona Electric Division ("AED") of Citizens Communications Company filed an application to change the current Purchased Power Adjustor Clause ("PPFAC" or "adjustor") rate; to freeze and amortize over a period of three years, the balance in the existing PPFAC bank as of September 30, 2000, to establish a new PPFAC Bank that would track power supply costs prospectively based on a twelve-month rolling average basis and to begin accruing carrying charges on the accumulated balance of over or under-recovered power supply costs.

2. The AED also requested approval to implement energy risk management initiatives intended to improve rate stability by reducing the volatility of power supply costs associated with competitive wholesale power markets.

3. The AED asks that the Commission establish guidelines that would be applied to recover costs associated with the implementation of the initiatives.

1 4. Finally, the AED asked that the Commission issue any approvals needed in
2 connection with proposed billing initiatives designed to minimize the impact of increased electric
3 bills.

4 5. On October 13, 2000, the Company filed a Notice of Filing Revision that included an
5 update to Exhibit 7 of the original application and a motion to approve revised tariff pages. On the
6 original application, the AED projected power supply costs and sales data beyond July 2000. The
7 revision provided actual cost and sales data for the month of August 2000.

8 6. The AED serves approximately 70,000 customers in Mohave and Santa Cruz
9 Counties. The AED is a generation-dependent utility and for nearly thirty years, with few
10 exceptions, its sole power source has been a full requirement contract with Arizona Public Service
11 ("APS"). The AED has been recovering its power supply expenses through the power cost
12 component of basic service rates and the operation of the PPFA clause.

13 7. On November 19, 1999, Decision No. 62094, was issued as an interim order, which
14 authorized the refund of \$2,769,629 of over-collected PPFA funds. The order also authorized the
15 Company to reset its adjustor from zero to a negative \$0.00553 per kWh for twelve months ending
16 November 2000, at which time the adjustor would be reduced to a negative \$0.00297. The
17 Decision also modified the PPFAC procedure for the AED so that a bank balance trigger of
18 \$2,600,000 replace a one-mill trigger.

19 8. When the bank balance exceeds \$2,600,000, the AED is required to either file for a
20 PPFAC adjustment or contact the Arizona Corporation Commission ("Commission") Staff to
21 discuss why an adjustment would not be appropriate.

22 9. According to the AED, it has recently experienced increases in its monthly purchased
23 power bills ranging from 50 percent to more than 100 percent greater than those received in the
24 corresponding months of prior years. Given the magnitude of current power supply cost increases
25 as reported by the Company, the traditional operation of the PPFAC may require a significant
26 increase in the adjustor.

27 10. As of April 30, 2000, the Company reported a PPFAC bank balance in excess of a
28 \$2,200,000 over-collection. This over-collected balance was being returned to customers via a

1 portion of the negative \$0.00553 per-kWh PPFAC. During the month of May, the AED reported
2 power supply costs escalating to more than \$0.114 per-kWh that resulted in an under-recovery of
3 over \$3,600,000, a change of over \$5,800,000 in one month.

4 11. In the AED's revision to the application, the projections were updated to include
5 more current costs and sales data which indicated their under-recovered bank balance could
6 currently be over \$47,000,000 for the month of September.

7 12. Staff believes the Company's application requires an in-depth analysis and
8 verification of the amount of and the reasons for the increased power costs. Staff's analysis will
9 include, but not be limited to, the prudence of the APS power contract and contract amendments
10 and an examination of the application of the contract. Furthermore, the prudence and impact of
11 Citizens "non-traditional" proposed method of recovering the bank balance also requires analysis.

12 13. However, as a part of the Company's application, the AED is asking to immediately
13 discontinue the current negative \$0.00553 per-kWh adjustor. Staff estimates the discontinuance of
14 the negative adjustor will increase the average monthly bill by approximately \$4.25.

15 14. Staff believes the request to change the current PPFAC rate to zero is reasonable, and
16 that the PPFAC should be reduced to zero on an interim basis.

17 15. Staff is recommending the adjustor be set to zero because this will provide an
18 immediate reduction of the negative adjustor at a time when the Company is currently
19 experiencing power supply costs exceeding its recoveries. The interim adjustor should be
20 reviewed at a hearing held in this matter.

21 16. The revision to the application included two non-rate tariff initiatives. The first tariff
22 change relates to the levelized billing plan currently offered only to residential customers. This
23 tariff equalizes electricity payments over 12 months primarily based upon a residential customer's
24 consumption history. The new tariff language increases payment options by offering the levelized
25 billing plan to both residential and small general service customers.

26 17. The second tariff change requested relates to the deferred payment plan whereby a
27 residential customer who is unable to pay an outstanding electricity bill is able to defer a
28 "reasonable portion" of the outstanding balance over a period not to exceed six months. The new

1 language changes the words "residential customer" to "customer", thereby applying the tariff to all
2 customer classes.

3 18. Staff believes both tariff changes increase options to the consumers and should be
4 approved.

5 19. Staff recommends resetting the negative fuel adjustor of \$0.00553 per-kWh to zero
6 on an interim basis.

7 20. Staff believes the requested tariff revisions offer more payment options to customers
8 and, therefore, recommends their approval.

9 21. Staff further recommends all remaining issues and requests in the AED's application
10 and application revision, except the tariff items, be addressed in a hearing.

11 CONCLUSIONS OF LAW

12 1. Citizens Communications Company is an Arizona public service corporation within
13 the meaning of Article XV, Section 2, of the Arizona Constitution.

14 2. The Commission has jurisdiction over Citizens Communications Company and the
15 Arizona Electric Division and over the subject matter of the application.

16 3. The Commission having reviewed the proposed application and Staff's
17 Memorandum dated October 25, 2000, concludes that it is in the public interest to approve the two
18 tariff changes and to set the PPFAC rate to zero.

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ORDER

THEREFORE, IT IS ORDERED that the PPFAC rate be and hereby is set to zero on an interim basis effective as soon as practicable.

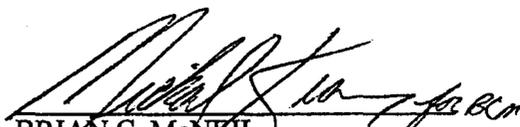
IT IS FURTHER ORDERED that the requested tariff changes as attached to the revision to the application be approved.

IT IS FURTHER ORDERED that all remaining issues and requests in the application and revision to the application be addressed in a hearing.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION

		
CHAIRMAN	COMMISSIONER	COMMISSIONER

IN WITNESS WHEREOF, I, BRIAN C McNEIL, Executive Secretary of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this 16th day of November, 2000.


 BRIAN C. McNEIL
 Executive Secretary

DISSENT: _____

DRS:REL:jbc/JMA