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September 5, 2002 2002 SEP -5 P 4: 03

AZ CORP COMMISSION  
DOCUMENT CONTROL

Ms. Deborah R. Scott, Esq.  
Citizens Communications Company  
2901 North Central Avenue, Suite 1660  
Phoenix, Arizona 85012

RE: CITIZENS COMMUNICATIONS COMPANY, ARIZONA GAS DIVISION – APPLICATION  
FOR A RATE INCREASE, DOCKET NO. ~~E~~-01032A-02-0598  
G

LETTER OF DEFICIENCY

Dear Ms. Scott:

In reference to the above listed rate application received on August 6, 2002, this letter is to inform you that your application has not met the sufficiency requirements as outlined in Arizona Administrative Code R14-2-103.

Staff has found several deficiencies with the application, which are listed on a separate attachment labeled "Deficiency Exhibit". The 30-day sufficiency determination period will begin anew when the Company corrects the deficiencies and Docket Control receives an original and ten copies of the corrected pages.

You have 15 calendar days, or until September 20, 2002 to correct the deficiencies, or make other arrangements with Staff to remedy your rate application. If the corrections or other arrangements are not made by the above date, Staff will request your docket number be administratively closed. Docket Control will retain one copy of the original application for Commission records. You may file an original and ten copies of an updated application at a later date.

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Arizona Corporation Commission  
DOCKETED

SEP 05 2002

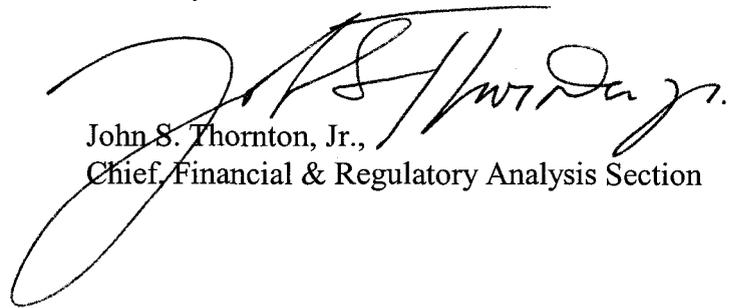
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September 5, 2002

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Staff received your facsimile dated September 4, 2002. While Staff appreciates your indication that you would waive the time period described in AAC R14-2-103 B (7), the most efficient, beneficial and equitable way to proceed is to adhere to the Rules and continue to use the standard method of processing a deficient rate case filing, as stated above. Staff welcomes your indication that you intend to provide Staff with the additional information that is required. Staff looks forward to receiving the information listed in the attached Deficiency Exhibit in the next 15 days, as stated above. If additional time is needed, please contact either me, the lead staff member, at (602) 542-0743, or toll free at (800) 222-7000 or Lisa Vandenberg of the Legal Division at (602) 542-3402.

Sincerely,



John S. Thornton, Jr.,  
Chief, Financial & Regulatory Analysis Section

Enclosure

CC: Docket Control Center (ten copies)  
Robert Kennedy, Consumer Services  
Delbert Smith, Engineering  
Lyn Farmer, Hearing Division  
Gary Smith, Citizens Communications Company, 2901 West Shamrell Blvd., Suite 110,  
Flagstaff, Arizona 86001

CITIZENS COMMUNICATIONS COMPANY  
ARIZONA GAS DIVISION  
DOCKET NO. G-01032A-02-0598  
TEST YEAR ENDED DECEMBER 31, 2001

DEFICIENCY EXHIBIT

1. Schedule A-1. Line 1, fair value adjusted rate base combined total does not equal the sum of the division totals.
2. Schedule A-3. Line 17, RCND component (both RCND and fair value columns) and Line 19, fair value rate base combined totals do not equal the sum of the division totals.
3. Schedule B-1. Line 1, gross utility plant in service; Line 3, net utility plant in service; Line 6, amortization of CIAC; and Line 16, total rate base at columns 3 and 5 (RCND) combined totals do not equal the sum of the division totals.
4. Schedule B-4. Line 1, utility plant in service and Line 3, total at columns 2 and 6 combined totals do not equal the sum of the division totals.
5. Schedule B-5. Line 12, mains; Line 15, services; Line 25, office furniture and equipment; Line 28, transportation equipment; Line 30, tools, shop and garage equipment; Line 31, laboratory equipment; Line 32, power operated equipment; Line 34, miscellaneous equipment; Line 36, total general plant; Line 37, total gas plant in service; Line 38, non-depreciable plant; and Line 39, depreciable plant in service; all at column 2 (trended reproduction cost new) combined totals do not equal the sum of the division totals.
6. Schedule B-5C, Page 1 of 2. Lines 12, 15, 25, 28, 30, 31, 32, 34, 36, 37, and 39 as in #5 above at column 10 (pro forma balance 12/31/01) combined totals do not equal the sum of the division totals.
7. Schedule B-5C, Page 2 of 2. ALL lines EXCEPT Line 21, other equipment; Line 23, land and land rights; Line 26, office furniture and equipment (computers); Line 27, office furniture and equipment (mechanical); Line 29, stores equipment; and Line 35, other tangible property at column 10 (pro forma balance 12/31/01) combined totals do not equal the sum of the division totals.
8. Schedule B-10. Line 4, gross plant at "RCN" combined total does not equal the sum of the division totals.

9. Schedule C-2. Adjustment B is missing the combined overtime average schedule that is included in both divisions.
10. Schedule D-1. Does not report Citizen's capital amounts, structure, or cost of debt (or other outstanding securities).

Note: While the Company and Staff did discuss this deficiency on August 30, 2002, the Company's subsequent response failed to provide the requested figures.

11. Schedule D-2. Does not report Citizen's costs or amounts of long-term and short-term debt and other detail per the Schedule D-2 format.
12. Schedule D-3. Does not report the outstanding cost of any corporate preferred stock and other detail per Schedule D-3 format. If Citizens has no preferred stock, then so state.

Note: While the Company and Staff did discuss this deficiency on August 30, 2002, the Company's subsequent response failed to provide any further information to help clarify this issue.

13. Schedule E-1. Line 32, accumulated deferred income taxes; Line 38, total liabilities; and Line 39, total liabilities and shareholder's equity in all three years the combined totals do not equal the sum of the division totals. Staff received a written response via e-mail on August 30, 2002 that included an attached corrected schedule from the Company, which appears to make the proper corrections. However, Company must submit the corrected schedule through docket control.
14. Schedule E-4. Did not include any equity changes. Company stated in a written response received on August 30, 2002, that this schedule is not applicable to the Arizona Gas Division ("AGD") Rate Application. The Company reasoned that Schedule E-4 would require a statement of changes in stockholders' equity. Since the AGD is a division of Citizens, Schedule E-4 is not applicable to the AGD. Staff requires the equity changes regardless of whether the information may need to be provided on a corporate level.
15. Schedule E-5. Line 41, additions of plant – manual due to SAP conversion (Northern division only). This line item disappeared from the combined totals.
16. Schedule E-9. Did not receive audited financial statements. Company stated in a written response received on August 30, 2002, that there are no financial statements at the division level. The Company reasoned "there are no audited financials for Northern Arizona Gas or Santa Cruz Gas Divisions. There are only audited financials for the parent, Citizens Communications Company." Staff requires the audited financial statements regardless of whether the information may need to be provided at a corporate level.