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September 9, 1996

Arizona Corporation Commission

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SEP 09 1996

Mr. James Avery  
Vice President, Energy  
Citizens Utilities Company  
1233 West Bank Expressway  
Harvey, Louisiana 70058

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Re: Electric Industry Restructuring (Docket No. U-0000-94-165)

Dear Mr. Avery:

I share your concern about the need to obtain adequate responses to the draft rule on electric industry restructuring. Citizens Utilities Company's proposal for restructuring, which you attached to your letter of September 6, 1996, was reviewed previously along with the other comments filed on June 28, 1996. I believe, however, that the Staff is now asking for specific comments on the proposal mailed to you on August 28, 1996. Your proposal, while interesting, is unresponsive to the Staff request.

Citizens Utilities Company has long had a reputation for being less than cooperative. Your request that I now intervene on your behalf to delay the Staff process for receiving informal comments, seems to follow that pattern. I would, therefore, urge you to spend your time productively in a review of the Staff proposal, rather than on recopying your own proposal, which was reviewed by the Staff more than two months ago.

In initiating its current proposal, the Staff is following the State's procedures for obtaining input in the rule-making process. If the Commission votes to proceed with formal rule-making, there will be a period of over 30 days for parties to provide written comments and an opportunity for the public to present oral comments before the Commission takes any formal action to adopt a rule. The draft rule, mailed on August 28, 1996, provides all interested parties an additional opportunity for written comments prior to the formal comment period specified in the State's procedures for rule-making.

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You express the concern that the draft rule does not consider the effects of competition on companies which purchase their electricity. Again, I hope you will respond to the Staff request for comments on the draft rule and propose remedies to any shortcomings you perceive.

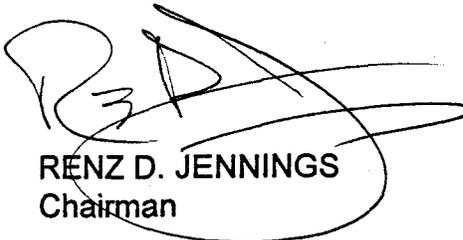
You are no doubt aware of the range of information gathering which has occurred to date:

- ◆ *An introductory workshop was held on September 7, 1994. One hundred eighteen representatives from utilities, consumer organizations, other power suppliers, and others attended the workshop. The workshop was summarized in a Staff Report dated October 1994.*
- ◆ *A series of nine working group and task force meetings were held in 1995 which addressed restructuring options, implementation of the options, and advantages and disadvantages of the options. Fifty-one groups were represented on task forces which focused on systems and markets, regulatory issues, and energy efficiency and environmental issues. Members of the task forces included representatives from utilities, consumer organizations, other power suppliers, and others. This work was summarized in a "Report of the Working Group on Retail Electric Competition," dated October 5, 1995.*
- ◆ *A request for comments on electric industry restructuring was issued in February 1996. Comments were filed by 31 parties on June 28, 1996. Commenters included consumer groups, Arizona utilities, other suppliers, and other parties. Staff prepared a summary of the comments in July 1996. Citizens Utilities Company responded with its own proposal for restructuring.*
- ◆ *A workshop was held on August 12, 1996 to explore and obtain feedback on a small number of options for introducing retail electric competition. One hundred thirty workshop participants included representatives from utilities, consumer organizations, other power suppliers, and others. Staff summarized the workshop in a report dated August 19, 1996.*

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The issues inherent in electric industry restructuring have been aired. In preparing a proposed rule for the Commission's consideration, Staff has taken the additional step of seeking informal comments on a draft rule. Although the turn-around time from August 28, 1996 to September 12, 1996 appears brief, interested parties have a good background in the issues. The input that will be provided will help in revising the draft before bringing a formal proposal to the Commission.

Sincerely,



RENZ D. JENNINGS  
Chairman

RDJ:ahh

cc: Commissioner Marcia Weeks  
Commissioner Carl J. Kunasek  
Docket Control