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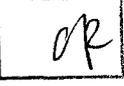
GALLAGHER & KENNEDY Corporation Commission
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December 21, 2000

VIA FACSIMILE & U.S. MAIL

Jane Rodda, Esq. (520/628-6559)
Administrative Law Judge
Arizona Corporation Commission
400 West Congress Street
Tucson, Arizona 85701-1347

*Re: Citizens' Stranded Cost and Unbundled Tariff Matters
Docket Nos. E-01032C-98-0474 and E-01032C-97-0774*

Dear Ms. Rodda:

As you requested, after last month's Procedural Conference, RUCO, Staff and Citizens have conferred and agree that you may issue a Procedural Order authorizing Citizens "to defer for future regulatory consideration costs which are being incurred in connection with the introduction of retail competition which are not included in the revenue requirements underlying current service rates." Under these circumstances, the parties do not believe it will be necessary to refer this matter to the Commission for Open Meeting consideration.

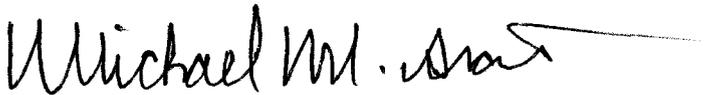
As discussed at the Procedural Conference, RUCO, Staff and Citizens also agree the Procedural Order should provide that (1) resolution of issues in these dockets should await the outcome of the Commission's decision in the PPFAC matter in Docket No. E-01032C-00-0751; (2) within 30 days of issuance of the decision in the PPFAC docket, the parties will advise you as to what further steps they believe are necessary to resolve the issues in these dockets; and (3) the waiver of the Competition Rules as requested should be granted pending resolution of the matters in these dockets.

Jane Rodda, Esq.
December 21, 2000
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For accounting reasons, Citizens would request that you issue the Procedural Order by January 15, 2001. Your assistance in relation to these matters is appreciated.

Very truly yours,

GALLAGHER & KENNEDY, P.A.


By:
Michael M. Grant

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