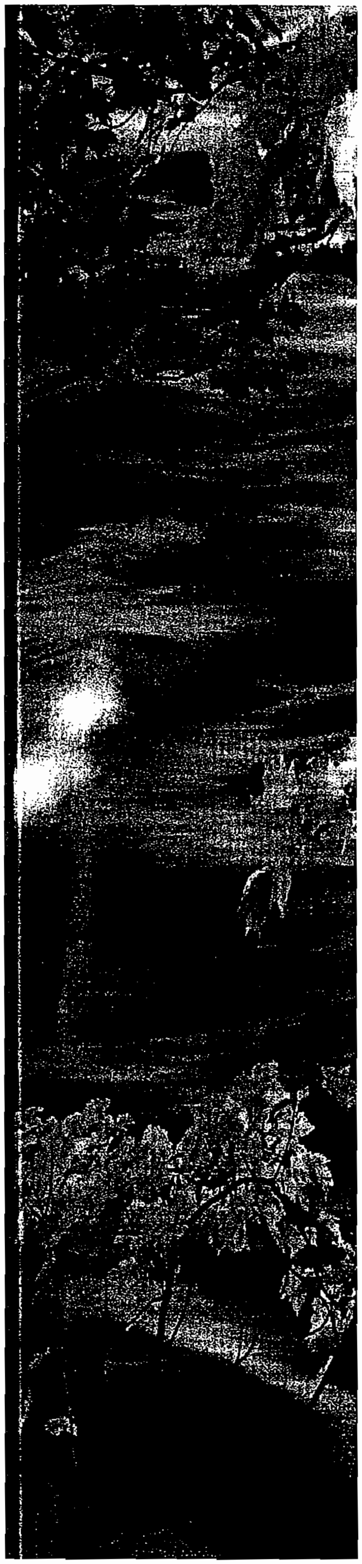


Clean Water Act
Plan 208 Amendment
for the Town of Buckeye: Whitestone Water Reclamation Facility

Application

Prepared for
DMB White Tank, LLC

JUNE 2001

MALCOLM PIRNIE

WHITESTONE DEVELOPMENT
WASTEWATER RECLAMATION FACILITY

CWA 208 Amendment
Table Of Contents

WHITESTONE DEVELOPMENT
WASTEWATER RECLAMATION FACILITY

CWA 208 Amendment
Table Of Contents

List of Tables

The Maricopa Association of Governments (MAG) is the Designated Planning Agency (DPA) with the authority required by Section 208 (a)(2)(B) of the Clean Water Act (CWA) to implement the area-wide waste treatment management plan for the Maricopa County Planning Area. The Town of Buckeye has requested a CWA Section 208 Amendment to the Regional Water Quality Management Plan to include a wastewater reclamation facility to serve the proposed Whitestone development. The development plan for Whitestone includes a wastewater reclamation facility to serve the proposed development area. The Whitestone development is a proposed 8,800-acre master planned community located in Buckeye, Arizona. The Whitestone Water Reclamation Facility (WRF) is located at the southeast portion of the Whitestone development, north of McDowell Road, west of Tuthill Road, and east of Airport Road. Location maps are included in Appendix A.

DMB White Tank, L.L.C. (DMB), the developer of Whitestone, will be responsible for financing the design and construction of the initial phase WRF, collection system, and discharge pipeline. Citizens Communications Company (Citizens) will own and operate the WRF upon completion of the initial phase construction, and will be responsible for subsequent expansions of the WRF. The WRF is within 3 miles of the City of Goodyear and Maricopa County unincorporated land.

The Whitestone WRF will have an initial rated capacity of 0.45 million gallons per day (mgd), with an ultimate rated capacity of 3.35 mgd. Treated effluent from the Phase 1 facility will be reused for golf course irrigation. The WRF will treat wastewater generated within the Whitestone development area. The Phase 1 WRF is anticipated to be operational in April 2003. Subsequent expansions of the WRF will occur as needed to serve the Whitestone development.

The Phase 1 WRF treatment processes will consist of influent pumping, screening, secondary treatment with biological nitrogen removal, chlorination, effluent pumping, and sludge dewatering for landfill disposal.

The CWA Section 208 Checklist on the following pages provides a summary of the amendment application requirements and how and where these issues are addressed in the document.

CLEAN WATER ACT SECTION 208 CHECKLIST

WHITESTONE WATER RECLAMATION FACILITY

Requirement	Summary of How Requirements are Addressed	Page	Section
AUTHORITY			
The Designated Planning Authority (DPA) with authority to implement the plan for the Town of Buckeye is Maricopa Association of Governments (MAG).			
20-YEAR NEEDS			
Clearly describe the existing wastewater (WWT) facilities:			
• Describe existing WWT facilities.	There are no existing WWT facilities.	1	1.1
• Show WWT certified and service areas for private utilities and sanitary district boundaries, if appropriate.	The WRF will serve the Whitestone development area. The Whitestone development is located in Buckeye, approximately one-half mile north of Interstate 10, west of Tuthill Road, east of 227th Avenue, and south of Northern Avenue. A figure showing Citizens' current service area adjacent to the Whitestone development is provided in Appendix A.	2	1.2.1
Clearly describe alternatives and the recommended WWT plan:			
• Provide POPTAC population estimates (or COG-approved estimates only where POPTAC not available) over 20-year period.	The population estimates were based on a land-use model. Reference: *Master Wastewater Plan Update and Planning Unit Plan for Portions of Planning Units IV and V (Phase I) of Whitestone*, Wood/Patel, March 2001.	3	1.2.2
• Provide wastewater flow estimates over the 20-year planning period.	Rated flow estimates range from 0.45 mgd at Phase 1 to 3.35 mgd at final build-out in the year 2018.	5	1.2.4
• Illustrate the WWT planning and service areas.	The planning and service areas will include the Whitestone development area in Buckeye, Arizona.	1	1.0
• Describe the type and capacity of the recommended WWT Plant.	• Phase 1: Screening, secondary treatment with biological nitrogen removal and chlorination will be provided for Phase 1. The initial capacity will be 0.45 mgd. • Ultimate: Screenings, grit removal, secondary treatment with biological nitrogen removal, filtration, coagulation and polymer feed, and ultraviolet disinfection. The ultimate capacity is 3.35 mgd.	4	1.2.4

Requirement	Summary of How Requirements are Addressed	Page	Section
• Identify water quality problems, consider alternative control measures, and recommend solution for implementation.	• Phase 1: No water quality problems are anticipated. Effluent quality will meet the Class B+ reclaimed water standards for golf course irrigation and the Aquifer Water Quality Standards. • Ultimate: Effluent quality will meet the Class A+ reclaimed water standards for open access irrigation.	4	1.2.4
• If private WWT utilities with certificated areas are within the proposed regional service area: define who (municipal or private utility) serves what area and when. Identify whose sewer lines can be approved in what areas and when?	Not applicable. There are no private WWT utilities with certificated areas within the proposed regional service area. Citizens has filed for a certificate of convenience and necessity to serve the Whitestone Development.	2	1.2.1
• Describe method of effluent disposal and reuse sites (if appropriate).	The effluent will be used to irrigate landscaping at golf courses. The treated effluent will be pumped to the golf course lakes for storage. The golf course irrigation system will feed from the lakes. The ultimate facility's effluent (and, in case a second golf course is not constructed, effluent from the Phase 1 facility which exceeds reuse demands), will also be used for groundwater recharge. The ultimate facility's effluent will also be use to irrigate open access landscaping, such as in right-of-ways, common areas, and parks.	8	1.2.4.2
• If Sanitary Districts are within a proposed planning or service area, describe who serves the Sanitary Districts and when.	There are no Sanitary Districts within the planning or service area.	10	1.2.6
• Describe ownership of land proposed for plant sites and reuse areas.	The land used by the plant site is owned by Caterpillar Foundation and is under contract to be purchased by DMB White Tank LLC. The sewage collection system and reclaimed water pipeline will be located on land owned by DMB and Associates. Reuse will occur on land owned by private golf courses.	2	1.2.1
• Address time frames in the development of the treatment works.	The plant is designed for an initial flow of 0.45 mgd with an ultimate capacity of 3.35 mgd. Phased expansion sizes are not known, and will be determined based upon expansion within the development. Facility sizing is modular, and accommodates flexibility in phasing.	5	1.2.4
• Address financial constraints in the development of the treatment works.	There are no financial constraints in the development of the treatment works.	13	3.2

Requirement	Summary of How Requirements are Addressed	Page	Section
• Describe how discharges will comply with EPA municipal and industrial stormwater discharge regulations (Section 405, CWA)	There will be no effluent from the plant discharged to surface waters and therefore no individual NPDES permit will be required. The collection system will be designed to prevent stormwater infiltration and the plant will treat wastewater only. The plant site will not receive stormwater runoff from adjacent properties. Stormwater discharges from the plant site will be subject to NPDES stormwater permitting requirements when design flows exceed 1-mgd. The flows will be addressed through implementation of a stormwater pollution prevention plan.	9	1.2.4.3
• Describe how open areas & recreational opportunities will result from improved water quality and how those will be used.	The reuse of treated effluent will safely enhance golf course landscaping and lakes while reducing the need for unnecessary use of groundwater/surface water resources.	8	1.2.4.2
• Describe potential use of lands associated with treatment works and increased access to water-based recreation, if applicable.	Not applicable.		
REGULATIONS			
• Describe types of permits needed, including NPDES, APP and reuse.	The WRF will require an APP, Reuse Permit, and Air Quality Permit.	11	1.4
• Describe restrictions on NPDES permits, if needed, for discharge and sludge disposal.	Not applicable, no NPDES permit will be needed.		
• Provide documentation of communication with ADEQ Permitting Section 30 to 60 days prior to public hearing regarding the need for specific permits.	DMB is in the process of obtaining necessary permits from ADEQ.		
• Describe pretreatment requirements and method of adherence to requirements (Section 208 (b)(2)(D), CWA).	There will be no industrial users contributing to the Whitestone WRF.	11	1.5
• Identify, if appropriate, specific pollutants that will be produced from excavations and procedures that will protect ground and surface water quality (Section 208(b)(2)(K) and Section 304, CWA).	Not applicable.		
• Describe alternatives and recommendations in the disposition of sludge generated (Section 405, CWA and 40 CFR Part 503).	Sludge will be dewatered via a belt filter press and disposed of at a landfill.	11	1.6
• Define any non-point issues related to the proposed facility and outline procedures to control them.	No non-point issues are anticipated. Stormwater flow from the WRF site will be diverted to Tuthill Wash. On-site stormwater retention will be provided to accommodate a 10-year, 24-hour storm.	9	1.2.4.3
• Describe process to handle all mining runoff, orphan sites and underground pollutants, if applicable.	Not applicable.		

Requirement	Summary of How Requirements are Addressed	Page	Section
• If mining related, define where collection of pollutants has occurred, and what procedures are going to be initiated to contain contaminated areas.	Not applicable.		
• If mining related, define what specialized procedures will be initiated for orphan sites, if applicable.	Not applicable.		
CONSTRUCTION			
• Define construction priorities and time schedules for initiation and completion.	The plant is designed for an initial flow of 0.45 mgd, with a final build-out flow of 3.35 mgd by the year 2018. The initial 0.45-mgd phase of the project is projected to be in operation by April 2003.	12	2.1
• Identify agencies that will construct, operate, and maintain the facilities and otherwise carry out the plan.	DMB will construct the initial phase of the project. Citizens will operate and maintain the initial phase WRF and will be responsible for expansion of the collection system, discharge line, and WRF beyond the initial phase.	12	2.1
• Identify construction activity-related sources of pollution and set forth procedures and methods to control, to the extent feasible, such sources.	Pollutants associated with construction activities are expected to be limited to solid waste, inert materials, and residual construction materials such as paint or adhesives. The construction activities will be subject to stormwater permitting and will implement Best Management Practices.	12	2.2
FINANCING AND OTHER MEASURES NECESSARY TO CARRY OUT THE PLAN			
• If plan proposes to take over a certificated private utility, describe how and when financing will be managed.	Not applicable. The plan does not propose to take over a certificated private utility, but expands Citizens' service area.		
• Describe any significant measure necessary to carry out the plan (e.g., institutional, financial, economic, etc.)	Financing will be provided through private funding sources. Financial information for DMB is attached to this report.	13	3.1
• Describe proposed method(s) of community financing.	Long-term cost recovery to DMB and Citizens will be provided on a per-connection basis. Connection and operating fees will be regulated by the ACC.	13	3.1
• Provide financial information to assure DMA has financial capability to operate and maintain wastewater system over its useful life.	The Town of Buckeye is the DMA. The facility is not going to be constructed by Buckeye. It will be constructed by DMB and owned and operated by Citizens. Citizens' Form 10K is provided as evidence of financial capability.		Appendix D
• Provide a time line that outlines the period of time necessary for carrying out plan implementation.	The initial phase of this project is planned to be in operation by April 2003. Subsequent expansions to ultimate capacity will be completed as needed, and the facility is projected to be at ultimate capacity by 2018.	14	4.1

Requirement	Summary of How Requirements are Addressed	Page	Section
• Provide financial information indicating the method and measures necessary to achieve project financing. (Section 201 CWA or Section 604 may apply.)	Financing will be provided through private funding sources. Financial information for DMB is attached to this report.	13	3.2
IMPLEMENTATION			
Describe impacts and implementation requirements of the Plan:			
• Describe impacts on existing WWT facilities (e.g. Sanitary district, infrastructure/facilities, and certificated areas).	There are no impacts on existing WWT facilities.	14	4.2
• Describe how and when existing package plants will be connected to a regional system.	Not applicable.		
• Describe the impact on communities and businesses affected by the plan.	No impacts on communities and businesses are anticipated.	14	4.2
• If a municipal WWT system is proposed, describe how WWT service will be provided until the municipal system is completed (i.e., will package plants and septic systems be allowed and under what circumstances; interim services).	Not applicable. The WRF will be completed concurrently with the first model homes. No wastewater flow will be generated until the WRF is operational.	14	4.1
PUBLIC PARTICIPATION			
• Submit copy of mailing list used to notify the public of the public hearing on the 208 amendment. (40 CFR, Chapter 1, Part 25.5)	Public participation requirements will be satisfied through MAG.	15	5.0
• List location where documents are available for review at least 30 days before public hearing.	Public participation requirements will be satisfied through MAG.	15	5.0
• Submit copy of the public notice of the public hearing as well as an official affidavit of publication from the area newspaper. Clearly show the announcement appeared in the newspaper at least 45 days before the hearing.	Public participation requirements will be satisfied through MAG.	15	5.0
• Submit affidavit of publication for official newspaper publication.	Public participation requirements will be satisfied through MAG.	15	5.0
• Submit responsiveness summary for public hearing.	Public participation requirements will be satisfied through MAG.	15	5.0

The Maricopa Association of Governments (MAG) is the Designated Planning Agency (DPA) with the authority required by Section 208(a)(2)(B) of the Clean Water Act (CWA) to prepare the plan for the Maricopa County Planning Area. The Town of Buckeye has requested a CWA Section 208 amendment to the Regional Water Quality Management Plan to include the Whitestone Water Reclamation Facility (WRF), which will treat wastewater generated within the Whitestone development area of Buckeye. Treated effluent from the initial facility will be reused for golf course irrigation. Upon expansion of the WRF beyond the demand of the golf courses, treated effluent will also be used for open access landscape irrigation and groundwater recharge. A location map showing the WRF, and site maps depicting the collection system and treated effluent pipeline alignments are included in Appendix A.

This CWA 208 Amendment application includes required information on the proposed WRF, collection system, and reclaimed water system locations. The WRF will be sized initially to accommodate a rated capacity of 450,000 gallons per day (gpd), with an ultimate capacity of 3.35 million gallons per day (mgd). The collection system will be sized for ultimate capacity. The reclaimed water piping will be sized for the irrigation of four golf courses. This document includes design criteria for the Phase 1 WRF.

1.1 Description of Existing Wastewater Treatment Facilities

This CWA 208 Amendment is for the construction of a new water reclamation facility in the Whitestone development, which is located in Buckeye, Arizona. There are no existing wastewater treatment facilities, sanitary districts or certified service areas within the development boundaries at this time. The WRF is within 3 miles of the City of Goodyear and Maricopa County Unincorporated land.

1.2 Description of Recommended WRF Plan

A description of the recommended Whitestone WRF is detailed in the following sections.

1.2.1 Site Location and Property Ownership

DMB is currently in the planning stages for the Whitestone development, a proposed 8,800-acre master planned community located near the White Tank Mountains. The majority of the community will be developed as residential areas, golf courses, recreation centers, open space, and commercial areas. Figure 1, included in Appendix A, presents a location map depicting the limits of the development.

The Phase 1 collection system is located north of the WRF, and is routed from Phase 1 development south down Tuthill Road to the plant, as shown in Figure 3, the sewer alignment included in Appendix A.

The Whitestone WRF will be located at the southeast portion of the Whitestone development, north of McDowell Road, and west of Tuthill Road. The location of the WRF is shown on Figure 2, a Site Location Map provided in Appendix A. The WRF will serve the Whitestone development area.

The reclaimed water pipeline alignment runs along Airport Road from the WRF to the Phase 1 golf courses, as shown in Figure 5, the reclaimed water alignment included in Appendix A.

Caterpillar Foundation is currently the owner of the property comprising the Whitestone development, which DMB White Tank LLC is under contract to purchase. The development is located in Buckeye, Arizona. DMB will obtain all required permits on behalf of Citizens for the Phase 1 WRF and treated effluent discharge. DMB will finance the Phase 1 facility design and construction. Citizens will own and operate the WRF upon completion of construction. Citizens will assume responsibility for development of the subsequent phases to ultimately establish the final 3.35-mgd facility. Citizens has submitted an application with the Arizona Corporation Commission for expansion of their certificate of convenience and necessity to include the proposed service area of the plant. Figure 6 depicts the limits of Citizens' current service area adjacent to the proposed development.

The Arizona Administrative Code, Title 18, Chapter 9, Article 2 requires a minimum setback of 350-feet from the nearest adjacent property line for a facility with an ultimate capacity greater than 1 mgd with full noise, odor and aesthetic controls. DMB intends to get setback waivers from Caterpillar Foundation for the property adjacent to the facility on all sides. All property within the 350-foot setback is currently owned by Caterpillar Foundation. Caterpillar

Foundation has agreed to waivers as required. Areas with setback waivers will most likely be used for maintenance facilities and commercial properties.

1.2.2 Population Estimates

Population estimates for the Whitestone development were based upon a land-use model. (*Master Wastewater Plan Update and Planning Unit Plan for Portions of Planning Units IV and V (Phase 1) of Whitestone*, Wood/Patel, March 2001). The model assumed 3.5 capita per residential dwelling unit. Table 1 summarizes the proposed overall land use budgets for the project.

TABLE 1

PROPOSED OVERALL LAND USE BUDGET

	RESIDENTIAL HOUSING (UNITS)	COMMERCIAL (ACRES)	RESORT (ROOMS)	SCHOOL (ACRES)	COMMUNITY FACILITY (ACRES)	PARK (ACRES)	ROADWAY LANDSCAPING (ACRES)	GOLF (ACRES)
Total	9,560	235	1,000	98	69	258	214	798

Table 2 summarizes the design criteria for the Phase 1 and ultimate WRF through buildout of the development.

TABLE 2

WASTEWATER GENERATION

Ultimate Number of Residential Housing Units	9,560
Wastewater Flow Generation	100 gal/capita/day
Average Number of People per Residential Unit	3.5
Phase 1 Capacity	0.45 mgd
Ultimate Capacity	3.35 mgd

1.2.3 Collection System Description

Based on the natural topography, the majority of property can be served by gravity sewer lines to the WRF. However, four areas on the property cannot flow by gravity due to topographical constraints. These areas are expected to be served by utilizing wastewater lift stations to pump the wastewater to the proposed gravity sewers. The master wastewater plan, which outlines project phasing, is shown in Figure 4, included in Appendix A. A layout of the Phase 1 collection system is presented by Figure 3 in Appendix A. Wood, Patel and Associates is the design engineer for the collection system.

The sewer was designed to convey the peak hour flow at no more than 75 percent of the calculated pipe capacity, with mean velocities between 2 fps and 10 fps.

Two gravity sewer mains from development north of the WRF will convey wastewater. The gravity sewers will be sized at 15-inch and 24-inch diameter. The sewers will discharge into the influent pump station located within the WRF. The 24-inch diameter sewer will be constructed in Phase 1, while the 15-inch diameter sewer will be provided in a future expansion.

1.2.4 WRF Facility Description

The WRF is categorized as a sequencing batch reactor treatment facility. The treatment processes consist of screening, secondary treatment with biological nitrogen removal, and chlorination. Proper redundancy will be provided at the facility. Figure 7 presents the process flow schematic for the Phase 1 WRF, included in Appendix A. The initial phase facility will meet Class B+ reclaimed water and Aquifer Protection Permit water quality standards. Treated effluent from the initial phase WRF will be pumped to an aquifer recharge facility or the golf course lakes, to be used for golf course irrigation. Upon future expansions of the facility, the treated effluent from the WRF will be also be discharged to alternate end uses. Future alternate end uses include open access landscape irrigation. The ultimate facility will be designed to meet Class A+ reclaimed water quality standards. A process flow schematic for the ultimate facility, and a master site plan of the WRF are included in Appendix A as Figures 8 and 9, respectively. Malcolm Pirnie, Inc is the design engineer for the WRF.

Table 3 presents design flows and process loadings for the initial phase and ultimate capacity of the WRF.

TABLE 3 WHITESTONE WRF DESIGN FLOWS AND LOADINGS		
	WRF Capacity	
Design Criteria	**Phase 1**	**Ultimate**
DESIGN FLOWS (mgd):		
Rated Capacity	0.45	3.35
Maximum Day Flow Peaking Factor = 1.78 (Phase 1) Peaking Factor = 1.49 (Subsequent Phases)	0.80	5.00
Peak Hourly Flow Peaking Factor = 3.33 (Phase 1) Peaking Factor = 2.88 (Subsequent Phases)	1.50	9.65
Minimum Hourly Flow Factor = 0.33 (Phase 1) Factor = 0.41 (Subsequent Phases)	0.15	1.37
INFLUENT WASTEWATER CHARACTERISTICS (mg/L):		
BOD_5	250	250
TSS	250	250
NH_3-N	30	30
Total Nitrogen	45	45
MASS LOADINGS (lb/d):		
Rated Capacity BOD_5 TSS NH_3-N Total Nitrogen	 938 938 113 169	 6988 6988 839 1258
Sustained Peak Peaking Factor = 1.25 BOD_5 TSS NH_3-N Total Nitrogen	 1173 1173 141 212	 8735 8735 1048 1572
Minimum Month Factor = 0.75 BOD_5 TSS NH_3-N Total Nitrogen	 704 704 85 127	 5241 5241 629 943
DESIGN TEMPERATURE, °C		
Minimum (Winter)	20	20
Maximum (Summer)	33	33

Subsequent expansions of the WRF will be at the discretion of Citizens. The phasing will be dependent upon the increase in population within the Whitestone development, and resultant wastewater flows. Facility sizing is modular, and accommodates flexibility in phasing. The final build-out capacity is planned to be 3.35 mgd by the year 2018.

1.2.4.1 Unit Processes

1.2.4.1.1 Preliminary Treatment

Minimal grit is expected within the collection system initially, therefore grit removal facilities will not be provided in Phase 1, but site considerations for future grit removal facilities have been incorporated into the master site plan.

Preliminary treatment for the initial facility will consist of two screens, a screenings conveyor and compactor. The screenings facility includes two externally-fed wedgewire drum screens with self-cleaning features, and a ram-style dewatering press/conveyor. Dewatered screenings will be disposed of at a landfill. The screens and conveyor/compactor will be fully enclosed and all off-gases will be ducted to the odor control system. The screenings system design criteria is included in Table 4.

TABLE 4

SCREENINGS FACILITY DESIGN CRITERIA

Number of Units	2 (1 duty, 1 standby)
System Capacity (1 in service)	1,700 gpm (2.45 mgd)
Screen Opening	0.10-inch

1.2.4.1.2 Sequencing Batch Reactors

The sequencing batch reactor (SBR) facilities consists of batch tanks, aeration blowers, mixing pumps, jet headers and nozzles, effluent decanters, motorized influent valves and air control valves, and waste sludge pumps. Two SBR tanks will be provided in Phase 1. The SBRs are sized to accommodate the peak influent flowrate of 1.5 mgd without resorting to filled-decant. The sizing criteria for the SBRs are presented in Table 5.

TABLE 5

SBR DESIGN CRITERIA

Number of Treatment Units	2
Basin Sidewater Depth	18 feet
Mixed Liquor Suspended Solids	2,700 mg/L
Solids Retention Time	15 days
Decant Rate	2,400 gpm
Oxygen Requirement for BOD Removal	1.2 lbO_2/lb_R
Oxygen Requirement for TKN Oxidized	4.6 lbO_2/lb_R
Operating Oxygen Concentration	1 mg/L (Peak Hour on Average Day)

TABLE 5 SBR DESIGN CRITERIA	
Alpha/Beta	0.75/0.95
Average Day, Peak Hour AOR/SOR	200 lb/h / 325 lb/h
Clean Water O_2 Transfer Efficiency	20 %

Sludge production data for the Phase 1 SBRs are listed in Table 6.

TABLE 6 BIOLOGICAL SLUDGE PRODUCTION	
Net Sludge Yield	0.8 lb TSS/ lb BOD_R
WAS	750 lb/d

1.2.4.1.3 Equalization Basin, Disinfection, & Effluent Pump Station

For the initial phase of the WRF, the equalization basin, chlorine contact chamber, and effluent pump station will be within the same structure. Once the filtration facilities are installed, the facility will become the equalization basin and intermediate pump station. The structure will be expanded to accommodate future flows, and the intermediate pump station will pump from the equalization basin to the future rapid mix basins.

The initial phase equalization basin was sized to accommodate one full decant volume from the SBRs. The effluent pump station will fully discharge the decant volume prior to the next decant event.

Chemical disinfection with sodium hypochlorite as a disinfecting agent will be used for the Phase 1 disinfection facilities. Sodium hypochlorite will be injected via a static mixer into the decant line from the SBRs prior to discharging into the equalization basin. The equalization basin will also serve as a chlorine contact chamber. Sodium hypochlorite will be fed from the chemical bulk storage tanks located within the odor control facilities. The sodium hypochlorite feed pump will be electrically interlocked to start immediately upon initiation of a decant event. The design chlorine residual will be 2 mg/L.

The effluent pump station will be sized to start pumping 20 minutes after each decant event starts. The pump station will pump treated effluent from the WRF to discharge at golf course lakes for golf course irrigation. The treated effluent will be stored at the golf course lakes until used for irrigation.

1.2.4.1.4 Odor Control

Odor control facilities will be provided to treat all off-gases from the influent pump station; screenings facility; SBRs; sludge holding tank; and solids handling facility. The odor control system will be a multiple stage chemical wet scrubber, using caustic and sodium hypochlorite to remove the hydrogen sulfide and other odors. A dedicated carbon unit may be provided for the SBRs, since the odors will be primarily biological, and is anticipated to exert a high caustic demand on the wet scrubber.

1.2.4.2 Effluent Disposal and Quality Requirements

Treated effluent from the initial phase WRF will be recharged and reused as golf course irrigation. The effluent pumps will pump treated effluent to the golf course lakes, where it will be stored. The golf course irrigation system will feed from the golf course lakes. Treated effluent will be recharged during wet weather events, and when the golf courses cannot irrigate. Upon future expansion of the WRF, alternate end uses will also include open access irrigation such as in common areas and parks. There are no anticipated water quality issues for golf course irrigation or groundwater recharge. However, in order to facilitate alternate end uses, the WRF will need to be expanded to include filtration, coagulation and polymer feed, and ultraviolet disinfection facilities. These future process structures have been considered in developing the master site plan of the WRF. A master site plan of the WRF is included in Appendix A as Figure 9.

Water balances showing the anticipated treated effluent supply and golf course irrigation demand for Phase 1 are included in Appendix B. It is anticipated that groundwater recharge will occur during wet weather events, and that some storage will be provided at the golf course lakes. It is recommended that Citizens rely on plant operational experience gained during Phase 1 to verify how the flows are tracking as compared to projected flows, in order to evaluate storage requirements beyond Phase 1.

The reuse of treated effluent for golf course irrigation will reduce the need to use raw surface water or groundwater for irrigation. The Phase 1 effluent will comply with Class B+

reclaimed water quality requirements outlined in the Arizona Administrative Code (A.A.C.) Title 18, Chapter 11, Article 3. The ultimate facility's effluent will comply with Class A+ reclaimed water quality requirements, as required for open access landscape irrigation, such as in right-of-ways, common areas, and parks.

1.2.4.3 Discharges

On-site stormwater retention will be provided to accommodate a 10-year 24-hour storm. Stormwater discharge in excess of a 10-year 24-hour storm from within the WRF site will be diverted to Tuthill Wash, a 100-year flood plain located east of the WRF. The plant site will not receive stormwater runoff from adjacent properties. Stormwater discharges from the plant site will be subject to NPDES stormwater permitting requirements when design flows exceed 1-mgd. The flows will be addressed through implementation of a stormwater pollution prevention plan.

1.2.5 Reclaimed Water System Description

The reclaimed water infrastructure includes reclaimed water transmission lines, booster pumping stations and storage lakes. Wood, Patel and Associates is the design engineer for the reclaimed water system. The Phase 1 treated effluent will be reused for golf course irrigation. One golf course will be operational and capable of receiving wastewater at the beginning of Phase 1. A second golf course is anticipated to be constructed within a year of operating the WRF. A total of four golf courses are planned for build-out. The treated effluent pump station will be located at the WRF. The reclaimed water transmission lines will follow the major street alignments. The transmission mains are sized to ultimately serve four golf courses. Additional booster pump stations and reclaimed water distribution lines will be installed as needed to provide irrigation for each phase of golf course construction. Ultimately, several recovery wells will be required to meet the peak summer day turf irrigation demand. Figure 5, included in Appendix A, presents the sizing and preliminary locations for the major onsite reclaimed water transmission mains and storage lakes for the golf courses.

Treated effluent will be pumped from the WRF to onsite storage lakes at each golf course. Each storage lake will be sized to regulate the flow of reclaimed water between the time it is delivered and time it is used for irrigation. It is anticipated that the golf course lakes will be designed to handle Phase 1 wet weather flows. The surface area of each storage lake will be sized to prevent drawdowns of more than 12 inches for the peak summer day demand.

1.2.6 Sanitary Districts, Private Utilities, and WWT Service Areas

The locations of the Whitestone WRF and the alignment corridors for the proposed collection system and discharge pipeline are shown on Figures 2 and 5, included in Appendix A. There are no existing wastewater treatment facilities, sanitary districts or certified service areas that would be impacted by either the construction of the WRF, collection system, or the discharge line.

1.3 Discharge Alternatives

The Third Management Plan for Phoenix Active Management Area's (AMA) Industrial Conservation Program imposes annual application rates for turf acreage, bodies of water, and low water use landscaping for all turf-related facilities. AMA defines a turf-related facility as any facility, including schools, parks, cemeteries, golf courses, or common areas within a housing subdivision, with ten or more acres of water-intensive landscaped area. In order to encourage the use of treated effluent for irrigation, the Management Plan discounts all direct effluent use by 40 percent, which would provide a higher application rate to facilities using higher percentages of effluent.

Treated effluent from the Phase 1 WRF will be used for groundwater recharge and golf course irrigation. The demand for irrigation water varies throughout the year, with the summer demand significantly surpassing the winter demand. In the summer months, treated effluent must be supplemented with surface water or groundwater to provide the required irrigation water demand. Upon future expansion of the WRF, alternative means of discharge will be used, such as for irrigation of open access landscaping. It is anticipated that the golf course lakes will be designed to handle Phase 1 wet weather flows, and groundwater recharge will occur during wet weather events. Upon expansion of the Phase 1 WRF, additional treatment processes will be provided to enable open access landscape irrigation, such as for right-of-ways, parks, and common areas.

1.4 Environmental Permitting Requirements

The Phase 1 WRF and discharge will require the following environmental permits or clearances:

- Aquifer Protection Permit (APP) issued by the Arizona Department of Environmental Quality (ADEQ).
- Type 2 Reclaimed Water General Permit for Direct Reuse of Class B+ Reclaimed Water issued by the ADEQ.
- Air Quality Permit issued by Maricopa County Environmental Services (MCES).
- Hazardous Materials Management Plan (HMMP) issued by Town of Buckeye Fire Department.
- Wastewater Facility Approval to Construct – Approval of Construction issued by MCES.
- Reclaimed Water System Approval to Construct – Approval of Construction issued by MCES.

1.5 Pretreatment Requirements

40 CFR Section 403.8 states that any POTW with a total design flow greater than 5 mgd and receiving from industrial users pollutants which pass through or interfere with the operation of the POTW or are otherwise subject to Pretreatment Standards will be required to establish an EPA approved POTW Pretreatment Program. There are no anticipated industrial users connected to the Whitestone WRF, and the ultimate capacity of the facility is less than 5 mgd, therefore no pretreatment will be required.

1.6 Sludge Management Requirements

Sludge will be wasted from the sequencing batch reactors to an aerated sludge holding tank. The sludge holding tank is sized to accommodate maximum month loadings, with a solids retention time from 8 to 12 days. Sludge will be pumped from the sludge holding tank to a belt filter press for dewatering. Dewatered sludge from the belt press will be discharged into a 20 cubic yard dumpster. Once a week, sludge will be removed from the dumpster and disposed of at a landfill. Therefore, requirements of 40 CFR Part 503 do not apply.

2.1 Construction and Operation Responsibility

The Town of Buckeye will sponsor the Whitestone WRF for purposes of the MAG 208 Plan Amendment.

DMB will carry out the plan for design and construction of the Phase 1 sewer collection system, WRF, and reclaimed water system. DMB will be solely responsible for funding the Phase 1 design and construction. Citizens will operate, maintain, and be responsible for expansion of the collection system, discharge line, and WRF beyond the initial phase. Citizens will be solely responsible for funding subsequent expansions.

The Phase 1 WRF is designed for an initial flow of 0.45 mgd, with a final build-out flow of 3.35 mgd required by the year 2018. The initial 0.45 mgd phase of the project is projected to be in operation by April 2003.

The timing of subsequent WRF expansions will depend upon the increase in population and resultant wastewater flows. Phasing of future expansions will be determined by Citizens at a later date.

2.2 Sources of Pollution

Construction of the WRF and discharge line will not be a pollution-intensive activity. Anticipated pollutants include fugitive dust from the construction activities, construction-related solid waste, inert materials, and residual construction materials such as paint and adhesives. Any waste generated during construction will be properly managed and disposed of in an appropriately permitted facility. The construction activities will be subject to stormwater permitting and will implement Best Management Practices.

3.0 FINANCING AND OTHER ACTIONS TO IMPLEMENT PLAN

3.1 Financing Plan

DMB is the master developer of the project. The residential and commercial developers will enter into agreements with Citizens for wastewater treatment and distribution services throughout the Whitestone development. Citizens is the wastewater treatment and distribution service provider for the Whitestone development.

Per an infrastructure agreement between DMB and Citizens, DMB will construct the Phase 1 collection system, wastewater treatment facilities, and effluent pipeline. A copy of the agreement's signature page is included in Appendix A. Upon completion of construction, Citizens will own and operate these facilities. Subsequent phases will be constructed by Citizens. Citizens will receive its financing from internally generated funds. DMB will receive financing through private sources. DMB's financial information is included in Appendix D. DMB will provide the financial support to construct the reuse site.

Long term cost recovery to DMB and Citizens will be provided on a per-connection basis. Connection and operating fees will be regulated by the ACC.

3.2 Financing Capacity

DMB has the financial capacity to construct the Phase 1 WRF, collection system, discharge pipeline, and reuse site. Financing will be provided through private funding.

Citizens Communications Company has the financial capacity to operate and maintain the WRF over its useful life. Citizens is a diversified utility company. Citizens had revenues of $1.8 billion in its fiscal calendar year 2000, and has assets of over $6.9 billion. Citizens intends to finance its investment in utilities facilities at the Whitestone development through cash flow, public debt offerings, and other sources. A copy of the most recent financial statements for Citizens is attached as Appendix D.

4.0 IMPACTS AND IMPLEMENTATION PLAN

4.1 Implementation Plan

The initial phase of the Whitestone WRF will have a rated capacity of 0.45 mgd, and is anticipated to be operational in April 2003. A detailed start-up plan will be developed for the facility during the design phase.

Subsequent expansions of the WRF will be dependent upon the increase in population within the Whitestone development, and resultant wastewater flows. The final build-out capacity is planned to be a flow of 3.35 mgd by the year 2018.

4.2 Impacts of Proposed WWT Plan

The effect of implementing the Phase 1 WRF is not expected to impact the operation of any adjacent municipality, not any existing sanitary district or certificated area, nor any communities or businesses. The treated effluent will be used primarily for golf course irrigation, thereby reducing the amount of groundwater or surface water used. The high quality effluent will have very little organic content and therefore will be very unlikely to produce odors.

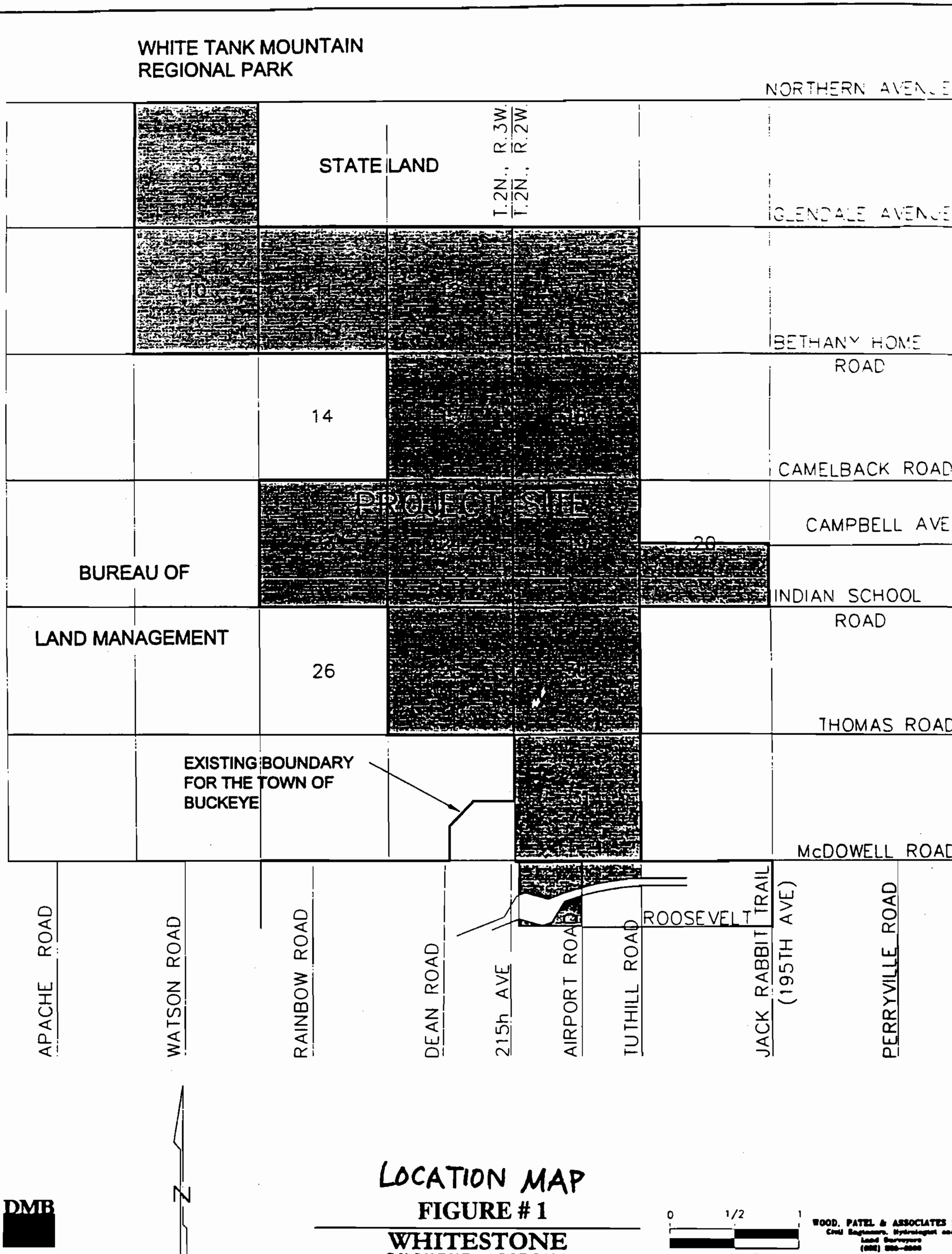
5.0 PUBLIC PARTICIPATION

MAG is responsible, with cooperation from the Town of Buckeye, for ensuring that the following actions are taken as this CWA 208 Amendment process proceeds:

- Submittal of a mailing list that will be used to notify the public of the hearing on this 208 Amendment.
- 30-day notification to the public of the location where documentation pertaining to this 208 Amendment is available for review.
- Publication of a public notice with information on the date, time, subject, and location of the public hearing on this 208 Amendment at least 45 days prior to the hearing.
- Submittal of an affidavit of publication of the public notice.
- Submittal of a responsiveness summary for the public hearing.

APPENDIX A

Location and Site Maps



DMB

LOCATION MAP

FIGURE # 1

WHITESTONE

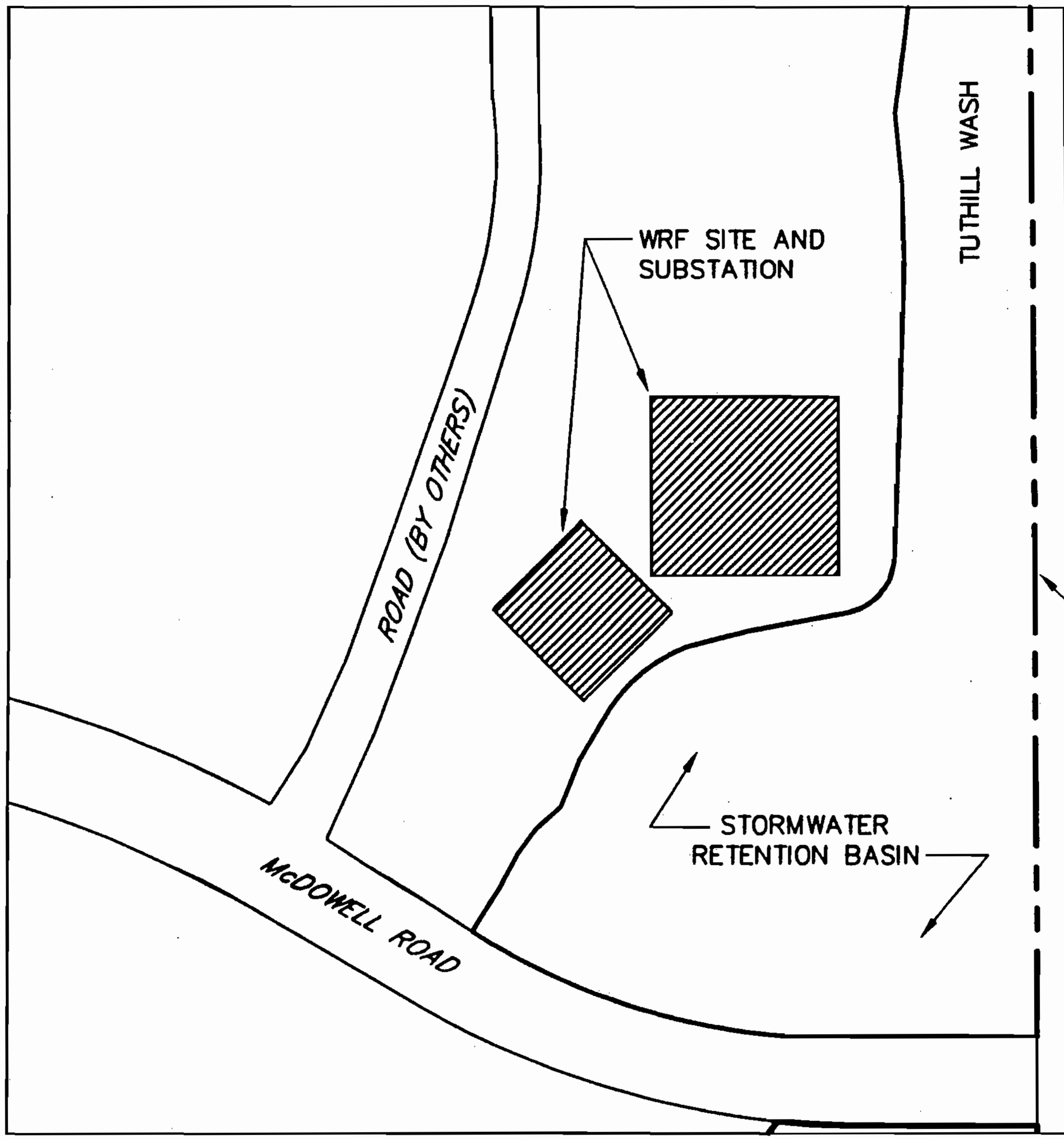
BUCKEYE, ARIZONA

0 1/2 1

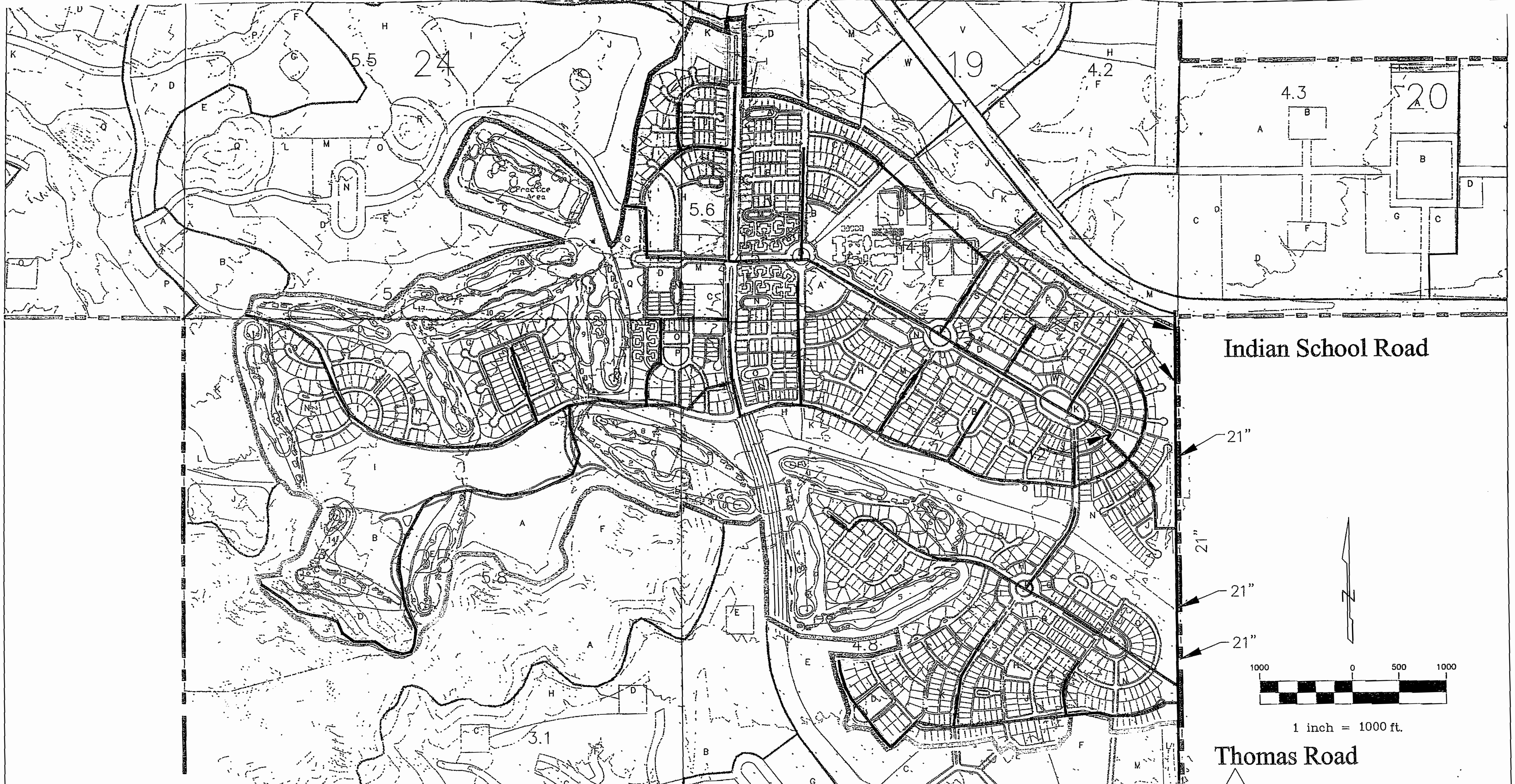
1 MILE

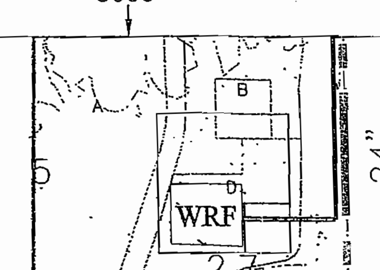
WOOD, PATEL & ASSOCIATES INC.

M:\3055007\ACAD\PROJ\FIG-05.DWG



MALCOLM PIRNIE	WHITESTONE WATER RECLAMATION FACILITY PHASE 1 CONCEPTUAL DESIGN	GENERAL SITE LOCATION MAP SCALE: 1"=300'	MALCOLM PIRNIE, INC.	FIGURE # 2





LEGEND

SERVICE AREA

PHASE BOUNDARY

25' CONTOUR LINES

NOTE:
ALL SEWER LINES ARE PROPOSED 8" DIAMETER UNLESS OTHERWISE NOTED.
NOTE:
THE BACKBONE INFRASTRUCTURE LOCATIONS ARE PRELIMINARY AND SUBJECT TO CHANGE WITH PREPARATION OF THE CONSTRUCTION DOCUMENTS.

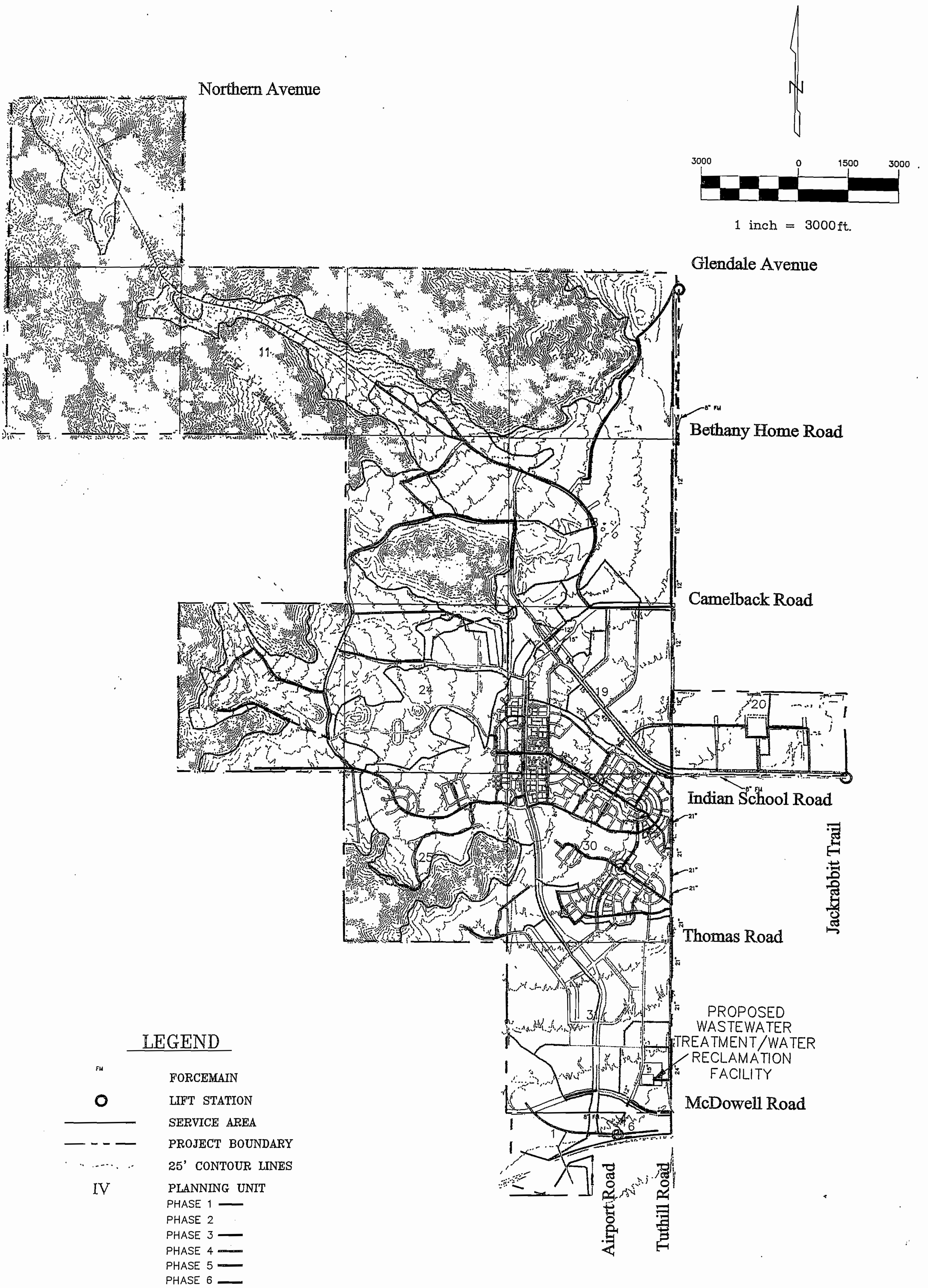
DMB

FIGURE # 3

PHASE 1 ONSITE BACKBONE INFRASTRUCTURE
MASTER WASTEWATER PLAN
CITIZENS WATER RESOURCES
WHITESTONE
BUCKEYE, ARIZONA

WOOD, PATEL & ASSOCIATES, INC.
Civil Engineers, Hydrologists and Land Surveyors
(602) 335-8500

03/21/01
M:\2000\001081\SEWER\PLATE3-SWR.DWG



NOTE:
ALL SEWER LINES ARE PROPOSED 8 INCH DIAMETER UNLESS OTHERWISE NOTED.
NOTE:
THE BACKBONE INFRASTRUCTURE LOCATIONS ARE PRELIMINARY AND SUBJECT TO CHANGE WITH PREPARATION OF THE CONSTRUCTION DOCUMENTS.

FIGURE # 4

ONSITE BACKBONE INFRASTRUCTURE PHASING
MASTER WASTEWATER PLAN
CITIZENS WATER RESOURCES
WHITESTONE
BUCKEYE, ARIZONA

DMB

WOOD, PATEL & ASSOCIATES, INC.
Civil Engineers, Hydrologists and Land Surveyors
(602) 335-8500

03/21/01
M:\2000\001081\SEWER\PLATE4-SWR.DWG

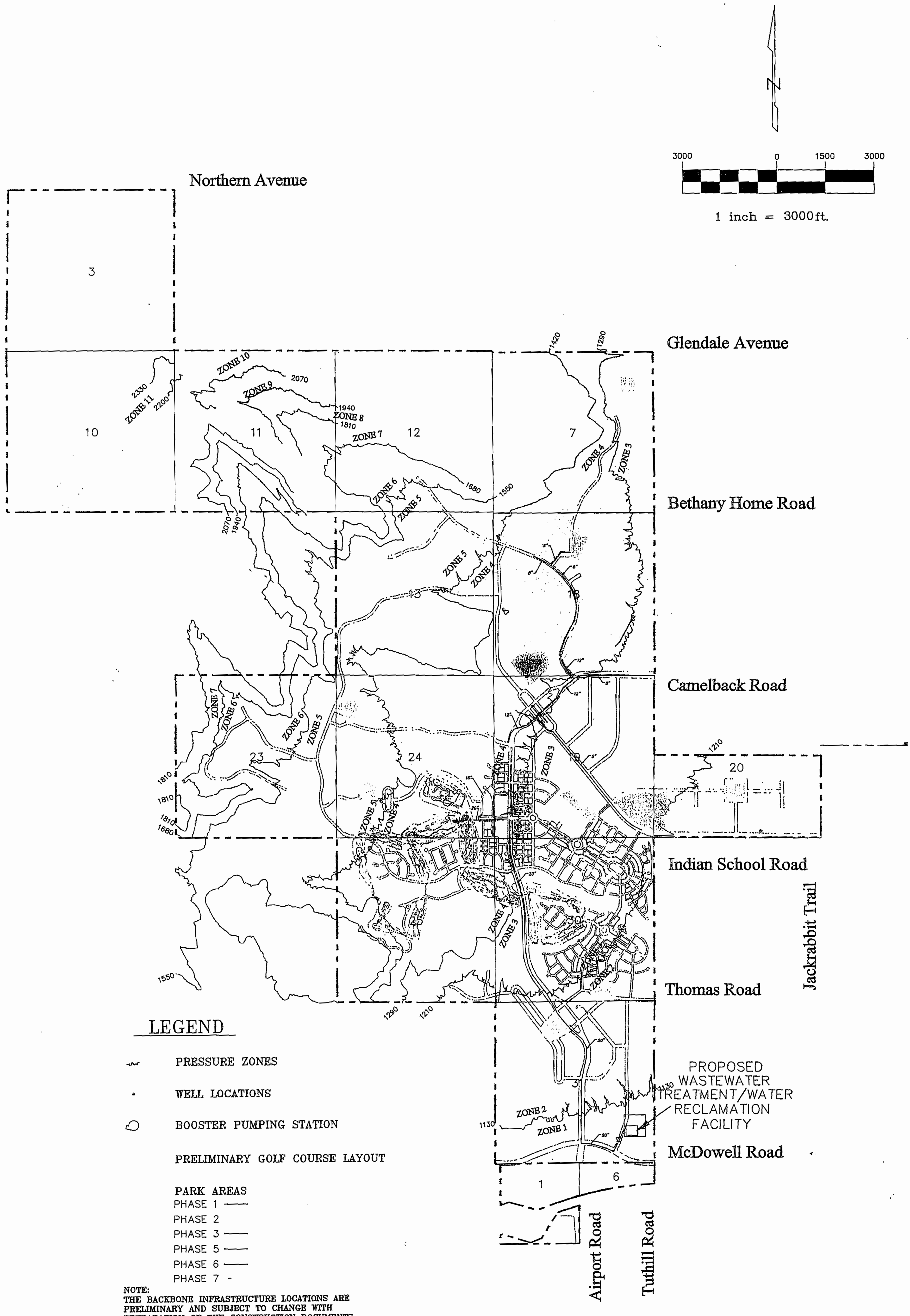


FIGURE # 5

MASTER NON POTABLE WATER PLAN

ONSITE BACKBONE INFRASTRUCTURE PHASING

CITIZENS WATER RESOURCES

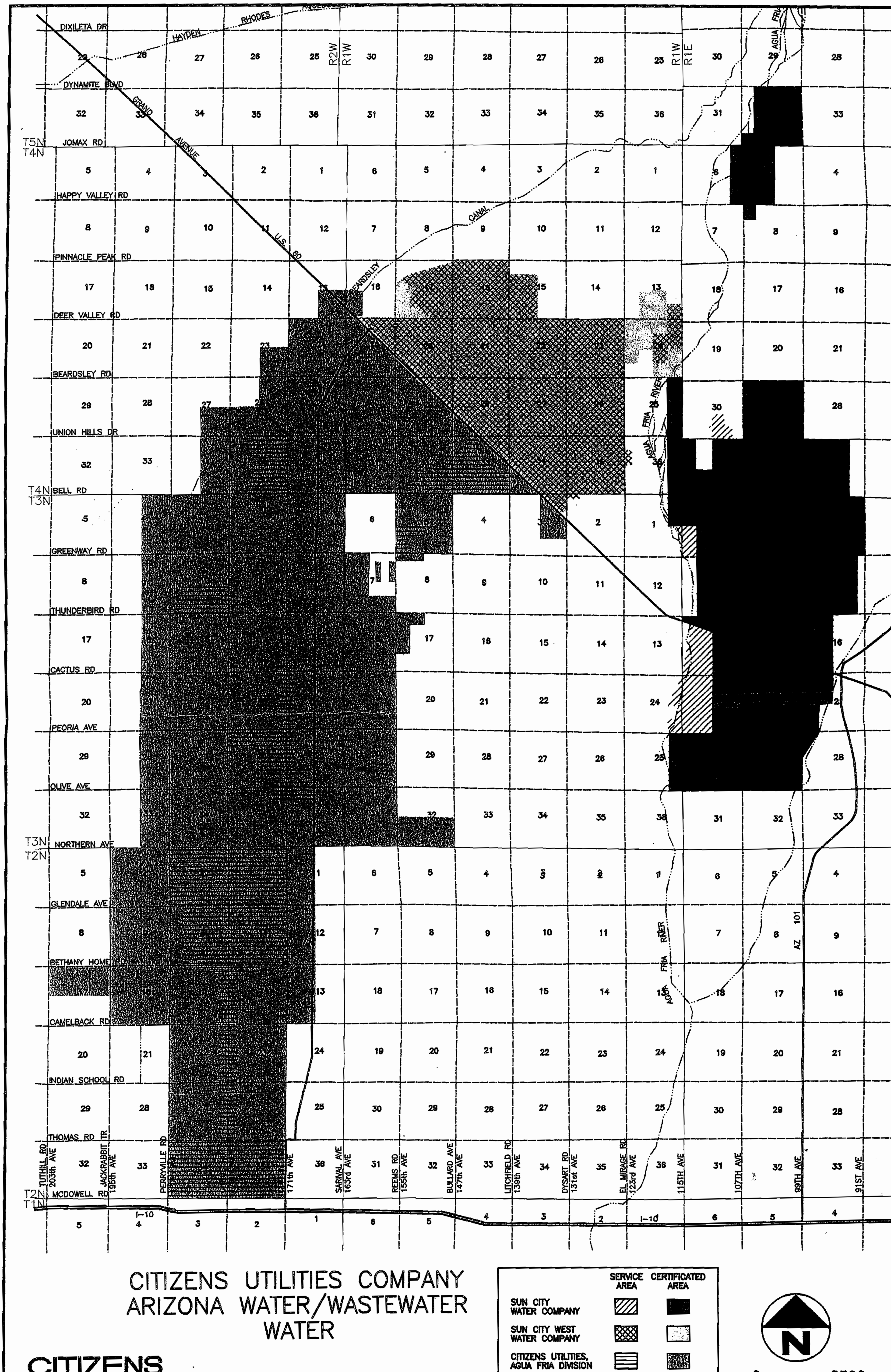
WHITESTONE

BUCKEYE, ARIZONA

DMB

WOOD, PATEL & ASSOCIATES, INC.
Civil Engineers, Hydrologists and Land Surveyors
(602) 335-8500

03/21/01

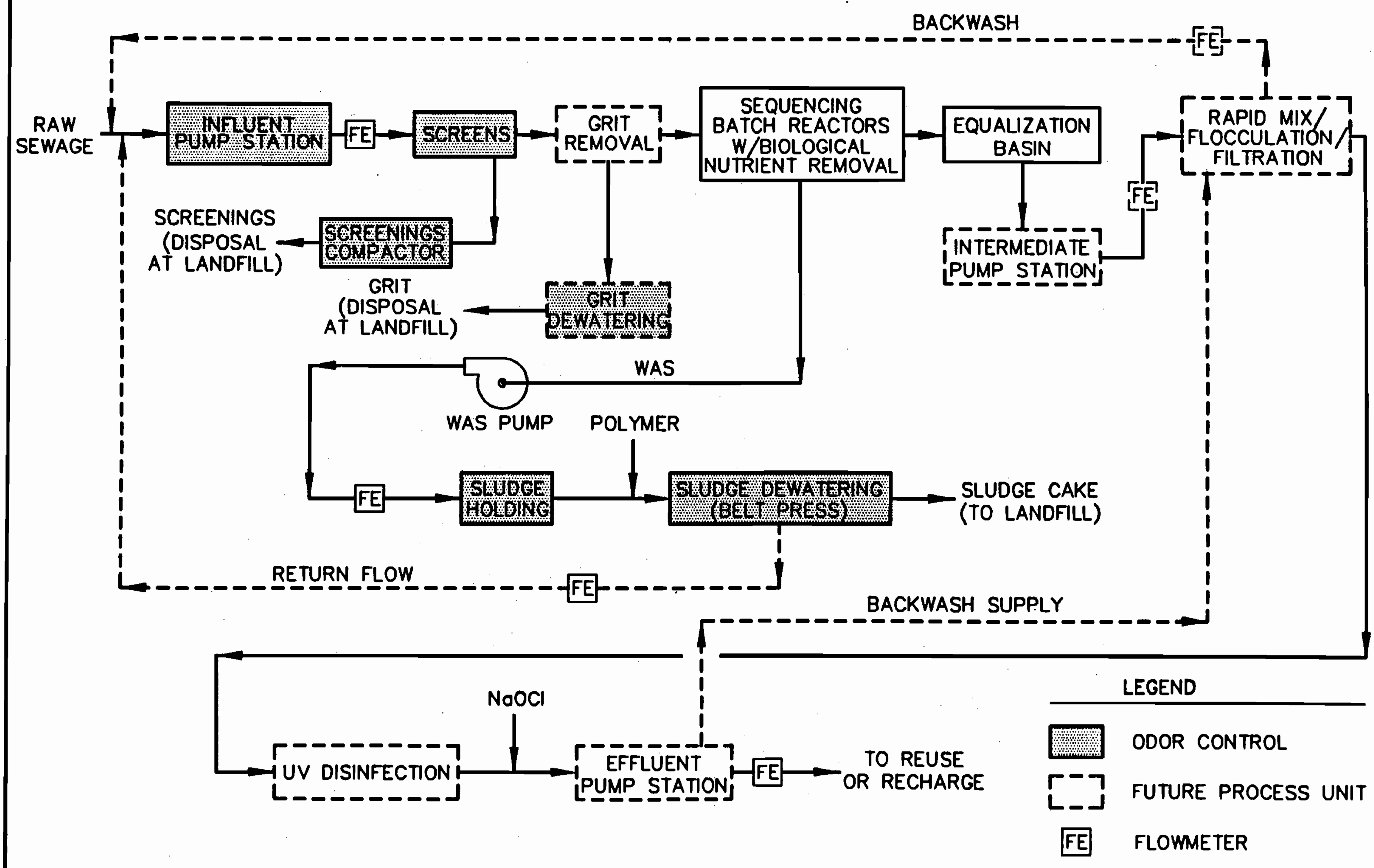


CITIZENS UTILITIES COMPANY
ARIZONA WATER/WASTEWATER
WATER

CITIZENS UTILITIES

FIGURE # 6

M:\3055007\ACAD\PROJ\FIG-02.DWG



MALCOLM PIRNIE

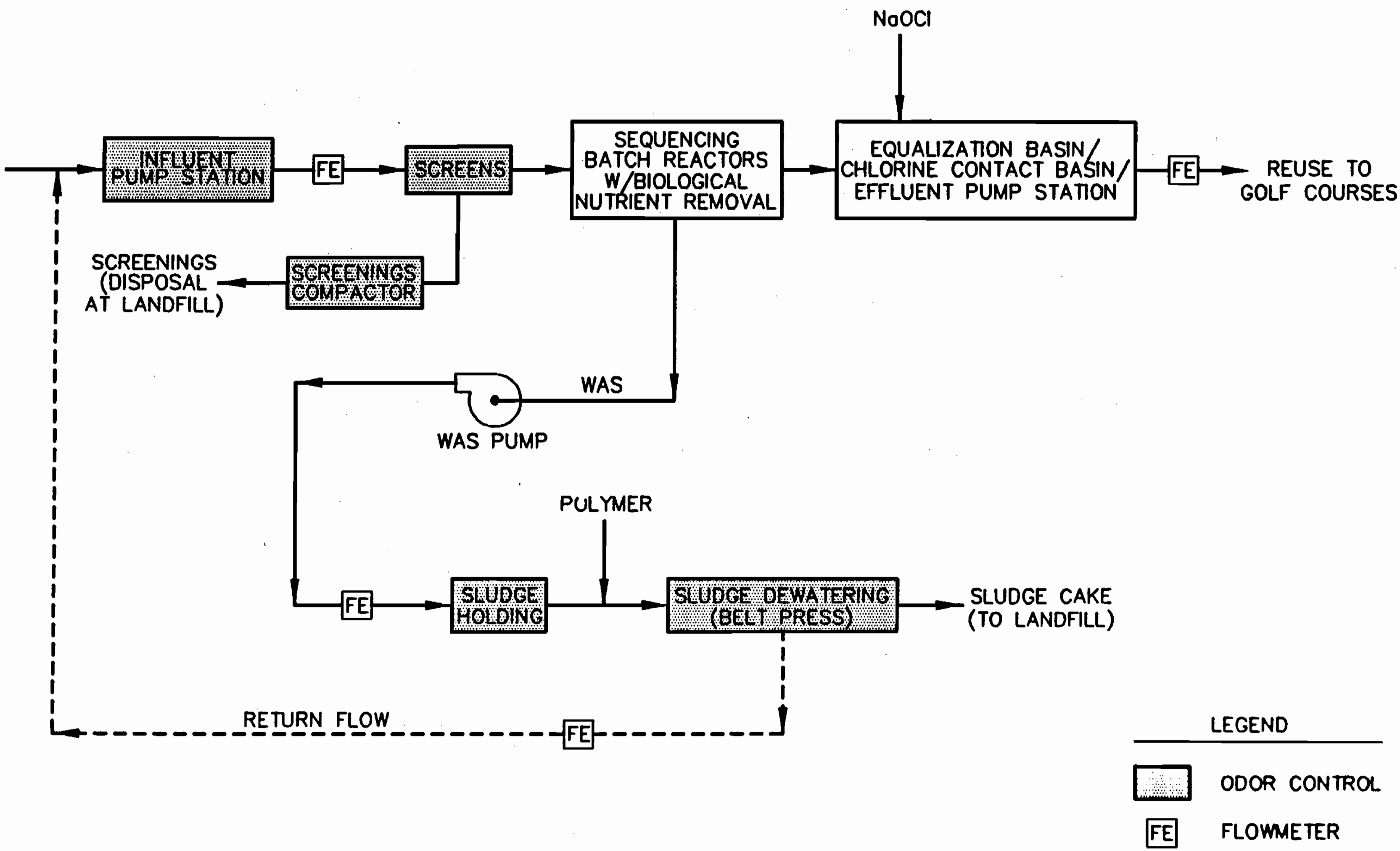
WHITESTONE
WATER RECLAMATION FACILITY
PHASE 1 CONCEPTUAL DESIGN

PROCESS FLOW SCHEMATIC
(MASTER PLAN)
NO SCALE

MALCOLM PIRNIE, INC.

FIGURE # 7

M:\3055007\ACAD\PROJ\FIG-01.DWG



MALCOLM PIRNIE

WHITESTONE
WATER RECLAMATION FACILITY
PHASE 1 CONCEPTUAL DESIGN

PROCESS FLOW SCHEMATIC
(PHASE 1)
NO SCALE

MALCOLM PIRNIE, INC.

FIGURE # 8

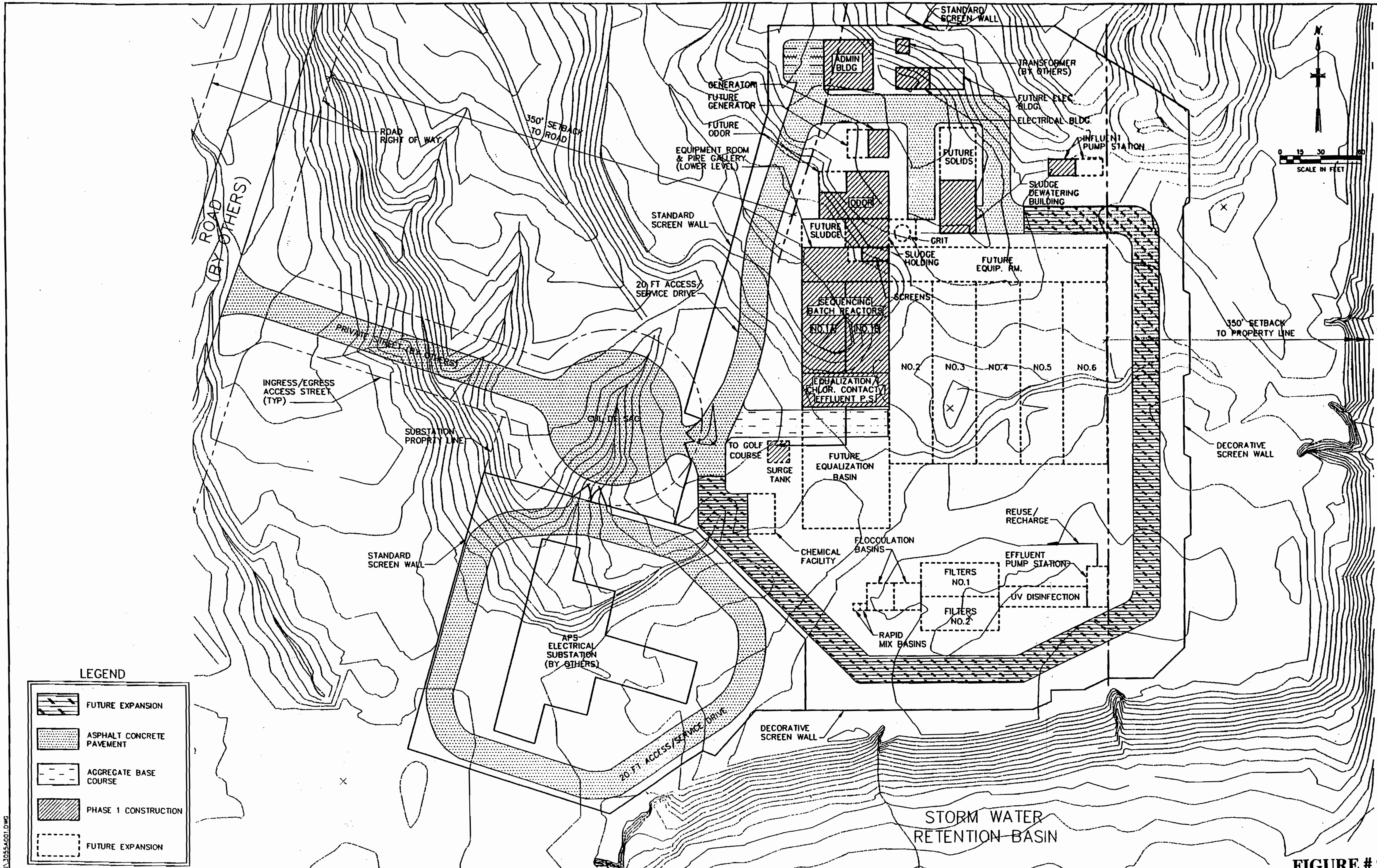


FIGURE # 9

MALCOLM PIRNIE

REVISIONS

DES SA

DRN TRS

CKD -

WHITESTONE
WATER RECLAMATION FACILITY
PHASE 1 CONCEPTUAL DESIGN

GENERAL

SITE LAYOUT

DATE

G

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be entered into on the day and year first above written.

DMB WHITE TANK, L.L.C., an Arizona limited liability company

By: DMB REALCO LLC, an Arizona limited liability company, Manager

By: DMB Associates, Inc., an Arizona corporation, Manager

By: Craig Frank
Its: V.P.

CITIZENS COMMUNICATIONS COMPANY

By: Ray L. Jones
Its: Vice President & General Manager

CITIZENS WATER SERVICES COMPANY OF ARIZONA

By: Ray L. Jones
Its: Vice President & General Manager

APPENDIX B

Water Balance

Project: Whitestone Water Balance | Project Number: 001081.65 | Average equivalent turf area per golf course **120** acres | Treatment losses **0.14** % | Recovery Factor **14.5**

Location: Buckeye, Arizona | Project Engineer: Shawn D. Gustafson, P.E. | Annual average turf demand **4.9** ac-ft/ac/yr | Long-term avg. well production **800** gpm

CUMULATIVE LAND USE PHASING SCHEDULE

			Single Family										Potable Water (1)				Sewer																				
Year	Quarter	Month	Density < 4 DU/ acre (units)	Density > 4 DU/ acre (units)	Multiple Family (units)	Commercial/ Retail (acres)	Resort (rooms)	School (acres)	Community Facilities (acres)	Park (acres)	Golf Courses	Roadway Landscaping (acres)	Annual Average Daily Flow (gpd)	Annual Average Maximum Daily Flow (gpd) (2)	Annual Average Maximum Daily Flow (gpm) (3)	Annual Average Peak Hour Flow (gpm) (3)	Annual Average Daily Flow (gpd)	Peak Hour Flow (gpd) (4)	Exterior Peaking (5)	Interior Peaking (6)	Irrigation Demand (gpm) (7)	Effluent Generation (gpm) (8)	Effluent Used (gpm)	Effluent Recharge (gpm)	Total Recharge (acre-feet)	Supplemental Irrigation (gpm)	Recovery Well Production (gpm)	Total Recovery (acre-feet)	Recovery < 80% of Recharge	Interior Potable Water Demand (gpm) (9)	Exterior Potable Water Demand (gpm)	Total Groundwater Demand (10) (gpm)	Potable Wells Needed to Meet Demands (11)	Potable Wells Needed to Meet CWR Requirements (11)	ADWR Compliance Calculation per Golf Course (12)		Comments
2003	1	Jan	0	0	0	0.0	0	0.0	0.0	0.0	0	0.0	0	0	0	0	0	0	45%	103%	0	0	0	0	0	0	0	0	TRUE	0	0	0	0	0	0		
		Feb	0	0	0	0.0	0	0.0	0.0	0.0	0	0.0	0	0	0	0	0	0	50%	118%	0	0	0	0	0	0	0	0	TRUE	0	0	0	0.0	0.0	0		
		Mar	0	0	0	0.0	0	0.0	0.0	0.0	0	0.0	0	0	0	0	0	0	70%	118%	0	0	0	0	0	0	0	0	TRUE	0	0	0	0.0	0.0	0		
	2	Apr	0	0	0	0.0	0	0.0	0.0	0.0	0	0.0	0	0	0	0	0	0	84%	109%	0	0	0	0	0	0	0	0	TRUE	0	0	0	0.0	0.0	0		
		May	0	0	0	0.0	0	0.0	0.0	0.0	0	0.0	0	0	0	0	0	0	103%	96%	0	0	0	0	0	0	0	0	TRUE	0	0	0	0.0	0.0	0		
		Jun	0	0	0	0.0	0	0.0	0.0	0.0	0	0.0	0	0	0	0	0	0	165%	94%	0	0	0	0	0	0	0	0	TRUE	0	0	0	0.0	0.0	0		
	3	Jul	17	17	5	0.0	0	0.0	0.0	0.0	2	0.0	14,206	25,571	18	30	8,215	24,644	198%	85%	1,447	5	5	0	0	1,443	0	0	TRUE	5	8	1,456	2.8	2.8	2,331		Need 3 wells
		Aug	33	34	10	0.0	0	0.0	0.0	0.0	2	0.0	28,412	51,142	36	60	16,429	49,288	172%	87%	1,256	10	10	0	0	1,246	0	0	TRUE	10	14	1,270	2.6	2.6	2,019		
		Sep	50	52	15	0.0	0	0.0	0.0	0.0	2	0.0	42,618	76,712	53	91	24,644	73,932	118%	94%	864	16	16	0	0	848	0	0	TRUE	16	15	879	2.1	2.1	1,383		
	4	Oct	66	69	20	0.0	0	0.0	0.0	0.0	2	0.0	56,824	102,283	71	121	32,859	98,576	86%	96%	629	22	22	0	0	607	0	0	TRUE	22	14	643	1.8	1.8	1,000		
		Nov	83	86	25	0.0	0	0.0	0.0	0.0	2	0.0	71,030	127,854	89	151	41,073	123,220	60%	100%	434	28	28	0	0	406	0	0	TRUE	29	12	447	1.6	1.6	682		
		Dec	99	103	30	0.0	0	0.0	0.0	0.0	2	0.0	85,236	153,425	107	181	49,288	147,864	48%	100%	349	34	34	0	0	315	0	0	TRUE	34	12	361	1.5	1.5	541	92%	Incl. 90 AF for grow in
2004	1	Jan	116	129	35	4.7	0	27.8	15.2	40.3	2	49.1	314,075	490,977	341	470	130,509	355,884	45%	103%	325	93	93	0	0	231	0	0	TRUE	93	57	381	1.5	1.7	463		
		Feb	132	155	40	4.7	0	27.8	15.2	40.3	2	49.1	330,861	521,192	362	505	140,444	385,688	50%	118%	366	115	115	0	0	251	0	0	TRUE	115	66	432	1.5	1.8	515		
		Mar	149	181	45	4.7	0	27.8	15.2	40.3	2	49.1	347,647	551,407	383	541	150,378	415,492	70%	118%	512	123	123	0	0	389	0	0	TRUE	123	96	609	1.8	2.0	747		
	2	Apr	165	204	50	4.7	0	27.8	15.2	40.3	2	49.1	363,743	580,379	403	575	159,853	443,916	84%	109%	615	121	121	0	0	494	0	0	TRUE	121	119	734	1.9	2.1	914		
		May	182	228	55	4.7	0	27.8	15.2	40.3	2	49.1	379,839	609,352	423	609	169,328	472,340	103%	96%	753	113	113	0	0	640	0	0	TRUE	113	151	904	2.1	2.3	1,142		
		Jun	198	252	60	4.7	0	27.8	15.2	40.3	2	49.1	395,935	638,325	443	644	178,802	500,764	165%	94%	1,201	117	117	0	0	1,084	0	0	TRUE	117	248	1,449	2.8	2.9	1,862		
	3	Jul	217	269	65	4.7	0	27.8	15.2	40.3	2	49.1	411,309	665,998	462	676	187,601	527,160	198%	85%	1,447	111	111	0	0	1,337	0	0	TRUE	111	308	1,756	3.2	3.2	2,263		Need 4th well
		Aug	236	286	70	4.7	0	27.8	15.2	40.3	2	49.1	426,683	693,671	482	709	196,400	553,556	172%	87%	1,256	118	118	0	0	1,137	0	0	TRUE	119	275	1,531	2.9	3.0	1,949		
		Sep	255	303	75	4.7	0	27.8	15.2	40.3	2	49.1	442,057	721,345	501	742	205,198	579,952	118%	94%	864	134	134	0	0	730	0	0	TRUE	134	195	1,059	2.3	2.5	1,307		
	4	Oct	274	320	80	4.7	0	27.8	15.2	40.3	2	49.1	457,431	749,018	520	774	213,997	606,348	86%	96%	629	142	142	0	0	486	0	0	TRUE	143	146	774	2.0	2.3	922		
		Nov	293	338	85	4.7	0	27.8	15.2	40.3	2	49.1	472,805	776,691	539	807	222,796	632,744	60%	100%	434	155	155	0	0	280	0	0	TRUE	155	103	538	1.7	2.0	600		
		Dec	312	355	90	4.7	0	27.8	15.2	40.3	2	49.1	488,179	804,364	559	840	231,594	659,140	48%	100%	349	161	161	0	0	189	0	0	TRUE	161	85	435	1.5	1.9	459	100%	
2005	1	Jan	331	383	100	4.7	0	27.8	15.2	40.3	2	49.1	507,923	839,903	583	882	243,373	694,476	45%	103%	325	174	174	0	0	151	0	0	TRUE	174	82	407	1.5	1.9	411		
		Feb	350	411	110	4.7	0	27.8	15.2	40.3	2	49.1	527,667	875,443	608	923	255,152	729,812	50%	118%	366	209	209	0	0	157	0	0	TRUE	209	95	461	1.6	2.0	455		
		Mar	369	439	120	4.7	0	27.8	15.2	40.3	2	49.1	547,411	910,982	633	965	266,930	765,148	70%	118%	512	218	218	0	0	294	0	0	TRUE	219	137	649	1.8	2.2	685		
	2	Apr	390	465	128	4.7	0	27.8	15.2	40.3	2	49.1	566,745	945,783	657	1,007	278,289	799,224	84%	109%	615	210	210	0	0	404	0	0	TRUE	211	169	784	2.0	2.3	856		
		May	410	491	136	4.7	0	27.8	15.2	40.3	2	49.1	586,079	980,584	681	1,048	289,648	833,300	103%	96%	753	193	193	0	0	560	0	0	TRUE	193	213	966	2.2	2.6	1,090		
		Jun	431	517	144	4.7	0	27.8	15.2	40.3	2	49.1	605,413	1,015,385	705	1,089	301,006	867,376	165%	94%	1,201	196	196	0	0	1,005	0	0	TRUE	196	348	1,549	2.9	3.1	1,810		
	3	Jul	450	543	154	4.7	0	27.8	15.2	40.3	2	49.1	624,579	1,049,884	729	1,129	312,381	901,500	198%	85%	1,447	184	184	0	0	1,263	0	0	TRUE	184	430	1,878	3.3	3.5	2,215		
		Aug	469	568	164	4.7	0	27.8	15.2	40.3	2	49.1	643,745	1,084,383	753	1,170	323,756	935,624	172%	87%	1,256	195	195	0	0	1,060	0	0	TRUE	196	383	1,639	3.0	3.3	1,899		
		Sep	488	594	174	4.7	0	27.8	15.2	40.3	2	49.1	662,911	1,118,882	777	1,211	335,130	969,748	118%	94%	864	218	218	0	0	646	0	0	TRUE	219	270	1,134	2.4	2.8	1,252		
	4	Oct	511	621	184	4.7	0	27.8	15.2	40.3	2	49.1	684,135	1,157,085	804	1,256	347,562	1,007,044	86%	96%	629	231	231	0	0	397	0	0	TRUE	232	201	830	2.0	2.5	864		
		Nov	534	647	194	4.7	0	27.8	15.2	40.3	2	49.1	705,359	1,195,288	830	1,301	359,994	1,044,340	60%	100%	434	250	250	0	0	184	0	0	TRUE	250	143	577	1.7	2.3	539		
		Dec	558	674	204	4.7	0	27.8	15.2	40.3	2	49.1	726,583	1,233,491	857	1,346	372,426	1,081,636	48%	100%	349	258	258	0	0	91	0	0	TRUE	259	118	467	1.6	2.2	396	95%	
2006	1	Jan	581	699	214	4.7	0	27.8	15.2	40.3	2	49.1	747,637	1,271,389	883	1,391	384,745	1,118,592	45%	103%	325	275	275	0	0	50	0	0	TRUE	275	112	437	1.5	2.2	346		
		Feb	604	725	224	4.7	0	27.8	15.2	40.3	2	49.1	768,691	1,309,286	909	1,436	397,064	1,155,548	50%	118%	366	325	325	0	0	41	0	0	TRUE	325	129	495	1.6	2.2	380		
		Mar	627	751	234	4.7	0	27.8	15.2	40.3	2	49.1	789,745	1,347,183	936	1,480	409,382	1,192,504	70%	118%	512	335	335	0	0	177	0	0	TRUE	335	186	698	1.9	2.4	610		
	2	Apr	650	771	244	4.7	0	27.8	15.2	40.3	2	49.1	809,079	1,381,984	960	1,521	420,554	1,226,020	84%	109%	615	318	318	0	0	297	0	0	TRUE	318	228	843	2.1	2.6	786		
		May	673	791	254	4.7	0	27.8	15.2	40.3	2	49.1	828,413	1,416,785	984	1,563	431,726	1,259,536	103%	96%	753	287	287	0	0	466	0	0	TRUE	288	285	1,038	2.3	2.8	1,029		
		Jun	696	811	264	4.7	0	27.8	15.2	40.3	2	49.1	847,747	1,451,587	1,008	1,604	442,898	1,293,052	165%	94%	1,201	289	289	0	0	912	0	0	TRUE	289	463	1,664	3.1	3.4	1,750		**PHASE 1 BUILD-OUT**
	3	Jul	719	831	274	48.2	250	48.0	35.1	91.7	2	93.0	1,118,692	1,939,077	1,347	2,170	616,891	1,733,619	198%	85%	1,447	364	364	0	0	1,084	0	0	TRUE	364	692	2,140	3.7	4.0	2,100		
		Aug	743	852	284	48.2	250	48.0	35.1	91.7	2	93.0	1,138,026	1,973,878	1,371	2,211	628,063	1,767,135	172%	87%	1,256	379	379	0	0	877	0	0	TRUE	379	610	1,866	3.3	3.8	1,780		
		Sep	766	872	294	48.2	250	48.0	35.1	91.7	2	93.0	1,157,360	2,008,679	1,395	2,252	639,235	1,800,651	118%	94%	864	417	417	0	0	447	0	0	TRUE	417	426	1,291	2.6	3.3	1,124		
	4	Oct	790	897	299	48.2	250	48.0	35.1	91.7	2	93.0	1,177,794	2,045,460	1,420	2,296	650,993	1,835,927	86%	96%	629	433	433	0	0	195	0	0	TRUE	434	315	944	2.2	3.0	734		
		Nov	814	923	304	48.2	250	48.0	35.1	91.7	2	93.0	1,198,228	2,082,241	1,446	2,339	662,752	1,871,203	60%	100%	434	460	434	26	3	0	0	0	TRUE	460	221	682	1.9	2.8	420		Need Recharge Facility
		Dec	838	949	309	48.2	250	48.0	35.1	91.7	2	93.0	1,218,662	2,119,023	1,472	2,383	674,511	1,906,479	48%	100%	349	468	349	119	19	0	0	0	TRUE	468	181	649	1.8	2.8	338	87%	
2007	1	Jan	861	975	314	48.2	250	48.0	35.1	91.7	2	93.0	1,238,488	2,154,709	1,496	2,425	685,965	1,940,843	45%	103%	325	490	325	165	42	0	0	0	TRUE	491	171	661	1.8	2.9	314		
		Feb	884	1,001	319	48.2	250	48.0	35.1	91.7	2	93.0	1,258,314	2,190,396	1,521	2,467	697,420	1,975,207	50%	118%	366	571	366	205	69	0	0	0	TRUE	571	195	767	2.0	2.9	354		
		Mar	907	1,027	324	48.2	250	48.0	35.1	91.7	2	93.0	1,278,140	2,226,083	1,546	2,509	708,875	2,009,571	70%	118%	512	580	512	68	78	0	0	0	TRUE	581	278	859	2.1	2.9	496		
	2	Apr	930	1,055	328	48.2	250	48.0	35.1	91.7	2	93.0	1,298,805	2,263,279	1,572	2,553	720,825	2,045,423	84%	109%	615	545	545	0	78	70	70	4	TRUE	546	338	884	2.1	3.0	595		Need 1st recovery well
		May	954	1,084	331	48.2	250	48.0	35.1	91.7	2	93.0	1,319,470	2,300,476	1,598	2,597	732,776	2,081,275	103%	96%	753	488	488	0	78	265	265	17	TRUE	489	421	909	2.1	3.0	729		
		Jun	977	1,113	335	48.2	250	48.0	35.1	91.7	2	93.0	1,340,134	2,337,672	1,623	2,641	744,727	2,117,127	165%	94%	1,201	485	485	0	78	715	715	54	TRUE	486	681	1,167	2.5	3.0	1,162		

Year	Quarter	Month	Single Family: Density < 4 DU/ acre (units)	Single Family: Density > 4 DU/ acre (units)	Multiple Family (units)	Commercial/ Retail (acres)	Resort (rooms)	School (acres)	Community Facilities (acres)	Park (acres)	Golf Courses	Roadway Landscaping (acres)	Potable Water (1): Annual Average Daily Flow (gpd)	Potable Water (1): Annual Average Maximum Daily Flow (gpd) (2)	Potable Water (1): Annual Average Maximum Daily Flow (gpm) (3)	Potable Water (1): Annual Average Peak Hour Flow (gpm) (3)	Sewer: Annual Average Daily Flow (gpd)	Sewer: Peak Hour Flow (gpd) (4)	Exterior Peaking (5)	Interior Peaking (6)	Irrigation Demand (gpm) (7)	Effluent Generation (gpm) (8)	Effluent Used (gpm)	Effluent Recharge (gpm)	Total Recharge (acre-feet)	Supplemental Irrigation (gpm)	Recovery Well Production (gpm)	Total Recovery (acre-feet)	Recovery < 80% of Recharge	Interior Potable Water Demand (gpm) (9)	Exterior Potable Water Demand (gpm)	Total Groundwater Demand (10) (gpm)	Potable Wells Needed to Meet Demands (11)	Potable Wells Needed to Meet CWR Requirements (11)	ADWR Compliance Calculation per Golf Course (12)		Comments
	3	Jul	1,005	1,139	340	48.2	250	48.0	35.1	91.7	2	93.0	1,362,232	2,377,449	1,651	2,688	757,317	2,154,899	198%	85%	1,447	446	446	0	78	1,001	40	56	TRUE	447	834	2,242	3.8	4.3	2,020		Need 5th well (CWR)
		Aug	1,032	1,164	345	48.2	250	48.0	35.1	91.7	2	93.0	1,384,330	2,417,225	1,679	2,735	769,908	2,192,671	172%	87%	1,256	465	465	0	78	791	40	58	TRUE	465	735	1,951	3.4	4.0	1,699		
		Sep	1,060	1,190	350	48.2	250	48.0	35.1	91.7	2	93.0	1,406,428	2,457,001	1,706	2,782	782,499	2,230,443	118%	94%	864	510	510	0	78	354	40	61	TRUE	511	513	1,338	2.7	3.5	1,038		
	4	Oct	1,088	1,225	355	48.2	250	48.0	35.1	91.7	2	93.0	1,431,282	2,501,739	1,737	2,834	796,897	2,273,639	86%	96%	629	531	531	0	78	98	40	63	TRUE	531	380	969	2.2	3.2	645		
		Nov	1,116	1,259	360	48.2	250	48.0	35.1	91.7	2	93.0	1,456,136	2,546,476	1,768	2,887	811,296	2,316,835	60%	100%	434	563	434	129	96	0	0	63	TRUE	563	267	830	2.0	3.2	420		
		Dec	1,144	1,294	365	48.2	250	48.0	35.1	91.7	2	93.0	1,480,990	2,591,213	1,799	2,940	825,695	2,360,031	48%	100%	349	573	349	223	126	0	0	63	TRUE	573	218	791	2.0	3.2	338	75%	
2008	1	Jan	1,166	1,331	370	48.2	250	48.0	35.1	91.7	2	93.0	1,503,968	2,632,573	1,828	2,989	839,299	2,400,843	45%	103%	325	599	325	275	163	0	0	63	TRUE	600	205	806	2.0	3.3	314		
		Feb	1,188	1,368	375	48.2	250	48.0	35.1	91.7	2	93.0	1,526,946	2,673,934	1,857	3,038	852,903	2,441,655	50%	118%	366	698	366	332	207	0	0	63	TRUE	699	235	934	2.2	3.3	354		
		Mar	1,211	1,405	380	48.2	250	48.0	35.1	91.7	2	93.0	1,549,924	2,715,294	1,886	3,086	866,507	2,482,467	70%	118%	512	709	512	197	234	0	0	63	TRUE	710	333	1,043	2.3	3.4	496		
	2	Apr	1,234	1,434	385	48.2	250	48.0	35.1	91.7	2	93.0	1,570,600	2,752,511	1,911	3,130	878,501	2,518,451	84%	109%	615	664	615	49	240	0	0	63	TRUE	665	405	1,070	2.3	3.4	595		
		May	1,257	1,462	390	48.2	250	48.0	35.1	91.7	2	93.0	1,591,276	2,789,728	1,937	3,174	890,496	2,554,435	103%	96%	753	593	593	0	240	160	160	71	TRUE	594	503	1,096	2.4	3.4	729		
		Jun	1,280	1,490	395	48.2	250	48.0	35.1	91.7	2	93.0	1,611,952	2,826,945	1,963	3,218	902,491	2,590,419	165%	94%	1,201	588	588	0	240	613	123	77	TRUE	589	811	1,890	3.4	4.1	1,477		
	3	Jul	1,306	1,516	441	48.2	250	48.0	35.1	91.7	2	93.0	1,642,213	2,881,414	2,001	3,283	921,196	2,646,535	198%	85%	1,447	543	543	0	240	904	123	84	TRUE	544	994	2,319	3.9	4.5	1,904		
		Aug	1,332	1,541	486	48.2	250	48.0	35.1	91.7	2	93.0	1,672,474	2,935,883	2,039	3,347	939,901	2,702,651	172%	87%	1,256	567	567	0	240	689	123	90	TRUE	568	876	2,009	3.5	4.3	1,579		
		Sep	1,358	1,567	532	48.2	250	48.0	35.1	91.7	2	93.0	1,702,734	2,990,352	2,077	3,411	958,607	2,758,767	118%	94%	864	625	625	0	240	239	123	96	TRUE	626	612	1,354	2.7	3.7	911		
	4	Oct	1,384	1,587	537	48.2	250	48.0	35.1	91.7	2	93.0	1,722,328	3,025,621	2,101	3,453	969,659	2,791,923	86%	96%	629	646	629	17	243	0	0	96	TRUE	646	451	1,097	2.4	3.6	608		
		Nov	1,410	1,608	542	48.2	250	48.0	35.1	91.7	2	93.0	1,741,922	3,060,891	2,126	3,494	980,711	2,825,079	60%	100%	434	680	434	246	276	0	0	96	TRUE	681	315	996	2.2	3.7	420		
		Dec	1,436	1,628	547	48.2	250	48.0	35.1	91.7	2	93.0	1,761,516	3,096,160	2,150	3,536	991,763	2,858,235	48%	100%	349	688	349	339	321	0	0	96	TRUE	689	256	945	2.2	3.7	338	74%	
2009	1	Jan	1,461	1,653	600	48.2	250	48.0	43.8	119.5	2	108.2	1,839,989	3,221,764	2,237	3,652	1,025,605	2,952,728	45%	103%	335	733	335	397	375	0	0	96	TRUE	734	252	985	2.2	3.8	314		
		Feb	1,487	1,679	654	48.2	250	48.0	43.8	119.5	2	108.2	1,871,617	3,278,693	2,277	3,720	1,045,377	3,012,044	50%	118%	378	855	378	478	439	0	0	96	TRUE	857	288	1,144	2.4	3.8	354		
		Mar	1,512	1,705	707	48.2	250	48.0	43.8	119.5	2	108.2	1,903,244	3,335,622	2,316	3,787	1,065,149	3,071,360	70%	118%	529	872	529	342	485	0	0	96	TRUE	873	409	1,282	2.6	3.9	496		
	2	Apr	1,537	1,731	707	48.2	250	48.0	43.8	119.5	2	108.2	1,922,962	3,371,115	2,341	3,829	1,076,300	3,104,812	84%	109%	635	814	635	178	509	0	0	96	TRUE	815	496	1,310	2.6	3.9	595		
		May	1,562	1,757	707	48.2	250	48.0	43.8	119.5	2	108.2	1,942,680	3,406,607	2,366	3,871	1,087,451	3,138,264	103%	96%	778	724	724	0	509	54	54	99	TRUE	725	613	1,338	2.7	4.0	729		
		Jun	1,587	1,783	707	48.2	250	48.0	43.8	119.5	2	108.2	1,962,398	3,442,100	2,390	3,913	1,098,601	3,171,716	165%	94%	1,241	716	716	0	509	525	525	126	TRUE	717	988	1,705	3.1	4.0	1,162		
	3	Jul	1,608	1,817	712	48.2	250	48.0	43.8	119.5	2	108.2	1,984,228	3,481,394	2,418	3,959	1,111,488	3,210,376	198%	85%	1,496	655	655	0	509	841	841	170	TRUE	656	1,203	1,859	3.3	4.0	1,401		Need 2nd recovery well
		Aug	1,630	1,851	717	48.2	250	48.0	43.8	119.5	2	108.2	2,006,058	3,520,688	2,445	4,005	1,124,375	3,249,036	172%	87%	1,298	678	678	0	509	619	261	183	TRUE	679	1,054	2,092	3.6	4.5	1,419		
		Sep	1,652	1,886	722	48.2	250	48.0	43.8	119.5	2	108.2	2,027,888	3,559,982	2,472	4,052	1,137,261	3,287,696	118%	94%	893	741	741	0	509	152	152	191	TRUE	742	733	1,475	2.8	4.1	836		
	4	Oct	1,677	1,920	727	48.2	250	48.0	43.8	119.5	2	108.2	2,051,286	3,602,098	2,501	4,101	1,150,932	3,328,708	86%	96%	650	766	650	117	524	0	0	191	TRUE	767	539	1,306	2.6	4.1	608		
		Nov	1,701	1,955	732	48.2	250	48.0	43.8	119.5	2	108.2	2,074,684	3,644,214	2,531	4,151	1,164,603	3,369,720	60%	100%	449	808	449	359	573	0	0	191	TRUE	809	376	1,185	2.5	4.2	420		
		Dec	1,726	1,989	737	48.2	250	48.0	43.8	119.5	2	108.2	2,098,082	3,686,331	2,560	4,201	1,178,273	3,410,732	48%	100%	361	817	361	456	634	0	0	191	TRUE	818	306	1,124	2.4	4.2	338	66%	
2010	1	Jan	1,750	2,024	742	48.2	250	48.0	43.8	119.5	2	108.2	2,121,032	3,727,641	2,589	4,250	1,191,720	3,451,072	45%	103%	335	851	335	516	703	0	0	191	TRUE	852	287	1,140	2.4	4.2	314		
		Feb	1,774	2,058	747	48.2	250	48.0	43.8	119.5	2	108.2	2,143,982	3,768,951	2,617	4,298	1,205,167	3,491,412	50%	118%	378	986	378	608	785	0	0	191	TRUE	988	327	1,314	2.6	4.3	354		
		Mar	1,798	2,093	752	48.2	250	48.0	43.8	119.5	2	108.2	2,166,932	3,810,261	2,646	4,347	1,218,613	3,531,752	70%	118%	529	997	529	468	848	0	0	191	TRUE	999	463	1,461	2.8	4.3	496		
	2	Apr	1,822	2,121	757	48.2	250	48.0	43.8	119.5	2	108.2	2,187,816	3,847,852	2,672	4,392	1,230,712	3,568,048	84%	109%	635	930	635	295	888	0	0	191	TRUE	932	560	1,492	2.9	4.3	595		
		May	1,846	2,149	762	48.2	250	48.0	43.8	119.5	2	108.2	2,208,700	3,885,443	2,698	4,436	1,242,811	3,604,344	103%	96%	778	827	778	49	894	0	0	191	TRUE	829	693	1,521	2.9	4.4	729		
		Jun	1,869	2,177	767	48.2	250	48.0	43.8	119.5	2	108.2	2,229,584	3,923,034	2,724	4,480	1,254,909	3,640,640	165%	94%	1,241	818	818	0	894	423	423	213	TRUE	819	1,115	1,934	3.4	4.4	1,162		
	3	Jul	1,893	2,202	772	48.2	250	48.0	43.8	119.5	2	108.2	2,249,608	3,959,078	2,749	4,523	1,266,435	3,675,216	198%	85%	1,496	747	747	0	894	749	749	252	TRUE	748	1,355	2,103	3.6	4.4	1,401		
		Aug	1,917	2,227	777	48.2	250	48.0	43.8	119.5	2	108.2	2,269,632	3,995,121	2,774	4,565	1,277,960	3,709,792	172%	87%	1,298	771	771	0	894	527	527	279	TRUE	772	1,186	1,958	3.4	4.5	1,215		
		Sep	1,940	2,253	782	48.2	250	48.0	43.8	119.5	2	108.2	2,289,656	4,031,164	2,799	4,608	1,289,485	3,744,368	118%	94%	893	841	841	0	894	52	52	282	TRUE	842	823	1,665	3.1	4.5	836		
	4	Oct	1,967	2,287	837	48.2	250	48.0	43.8	119.5	2	108.2	2,324,783	4,094,393	2,843	4,683	1,311,537	3,810,524	86%	96%	650	873	650	224	924	0	0	282	TRUE	874	607	1,481	2.9	4.6	608		
		Nov	1,993	2,322	893	48.2	250	48.0	43.8	119.5	2	108.2	2,359,911	4,157,622	2,887	4,757	1,333,589	3,876,680	60%	100%	449	925	449	476	988	0	0	282	TRUE	926	424	1,350	2.7	4.6	420		
		Dec	2,019	2,356	948	48.2	250	48.0	43.8	119.5	2	108.2	2,395,038	4,220,852	2,931	4,832	1,355,641	3,942,836	48%	100%	361	940	361	579	1,066	0	0	282	TRUE	941	346	1,287	2.6	4.7	338	65%	
2011	1	Jan	2,045	2,379	953	48.2	250	48.0	43.8	119.5	2	108.2	2,415,620	4,257,899	2,957	4,876	1,367,331	3,977,904	45%	103%	335	977	335	641	1,152	0	0	282	TRUE	978	324	1,302	2.6	4.7	314		
		Feb	2,072	2,402	958	48.2	250	48.0	43.8	119.5	2	108.2	2,436,202	4,294,947	2,983	4,919	1,379,020	4,012,972	50%	118%	378	1,128	378	751	1,253	0	0	282	TRUE	1,130	368	1,498	2.9	4.7	354		
		Mar	2,098	2,425	963	48.2	250	48.0	43.8	119.5	2	108.2	2,456,784	4,331,994	3,008	4,963	1,390,709	4,048,040	70%	118%	529	1,138	529	609	1,335	0	0	282	TRUE	1,140	520	1,660	3.1	4.8	496		
	2	Apr	2,122	2,459	968	48.2	250	48.0	43.8	119.5	2	108.2	2,479,814	4,373,448	3,037	5,012	1,404,196	4,088,500	84%	109%	635	1,061	635	426	1,392	0	0	282	TRUE	1,063	630	1,693	3.1	4.8	595		
		May	2,146	2,494	973	48.2	250	48.0	43.8	119.5	2	108.2	2,502,844	4,414,902	3,066	5,061	1,417,683	4,128,960	103%	96%	778	944	778	165	1,414	0	0	282	TRUE	945	778	1,723	3.2	4.8	729		
		Jun	2,170	2,528	978	48.2	250	48.0	43.8	119.5	2	108.2	2,525,874	4,456,356	3,095	5,110	1,431,169	4,169,420	165%	94%	1,241	933	933	0	1,414	308	308	297	TRUE	934	1,252	2,186	3.7	4.9	1,162		
	3	Jul	2,195	2,563	983	48.2	250	48.0	43.8	119.5	2	108.2	2,549,240	4,498,415	3,124	5,160	1,444,824	4,210,384	198%	85%	1,496	852	852	0	1,414	644	644	331	TRUE	853	1,522	2,375	4.0	4.9	1,401		
		Aug	2,220	2,597	988	48.2	250	48.0	43.8	119.5	2	108.2	2,572,606	4,540,474	3,153	5,209	1,458,479	4,251,348	172%	87%	1,298	880	880	0	1,414	418	418	352	TRUE	881	1,332	2,214	3.8	4.9	1,215		
		Sep	2,245	2,632	993	48.2	250	48.0	43.8	119.5	2	108.2	2,595,972	4,582,533	3,182	5,259	1,472,133	4,292,312	118%	94%	893	960	893	67	1,423	0	0	352	TRUE	961	925	1,886	3.4	5.0	836		
	4	Oct	2,267	2,671	1,098	48.2	250	48.0	43.8	119.5	2	108.2	2,641,438	4,664,372	3,239	5,356	1,502,068	4,382,116	86%	96%	650	1,000	650	350	1,471	0	0	352	TRUE	1,001	682	1,683	3.1	5.0	608		
		Nov	2,289	2,710	1,203	48.2	250	48.0	43.8	119.5	2	108.2	2,686,904	4,746,210	3,296	5,452	1,532,003	4,471,920	60%	100%	449	1,062	449	614	1,553	0	0	352	TRUE	1,064	477	1,541	2.9	5.1	420		Need 6th well (CWR)
		Dec	2,312	2,749	1,308	48.2	250	48.0	43.8	119.5	2	108.2	2,732,370	4,828,049	3,353	5,549	1,561,937	4,561,724	48%	100%	361	1,083	361	722	1,650	0	0	352	TRUE	1,085	389	1,474	2.8	5.2	338	65%	
2012	1	Jan	2,338	2,783	1,319	65.7	250	98.0	63.8	182.6	3	144.6	2,977,093	5,232,017	3,633	5,953	1,708,884	4,936,550	45%	103%	523	1,221	523	698	1,744	0	0	352	TRUE	1,222	392	1,614	3.0	5.5	471		
		Feb	2,364	2,817	1,329	65.7	250	98.0	63.8	182.6	3	144.6	3,002,425	5,277,616	3,665	6,007	1,723,805	4,981,314	50%	118%	589	1,411	589	822	1,854	0	0	352	TRUE	1,413	445	1,858	3.3	5.6	531		
		Mar	2,391	2,852	1,340	65.7	250	98.0	63.8	182.6	3	144.6	3,027,758	5,323,214	3,697	6,060	1,738,726	5,026,078	70%	118%	825	1,423	825	598	1,935	0	0	352	TRUE	1,425	629	2,054	3.6	5.6	743		
	2	Apr	2,418	2,886	1,350	65.7	250	98.0	63.8	182.6	3	144.6	3,053,552	5,369,644	3,729	6,115	1,753,845	5,071,434	84%	109%	990	1,326	990	335	1,980	0	0	352	TRUE	1,328	761	2,089	3.6	5.7	892		
		May	2,446	2,921	1,360	65.7	250	98.0	63.8	182.6	3	144.6	3,079,346	5,416,073	3,761	6,170	1,768,964	5,116,790	103%	96%	1,213	1,178	1,178	0	1,980	36	36	354	TRUE	1,179	940	2,119	3.6	5.7	1,093		
		Jun	2,474	2,955	1,370	65.7	250	98.0	63.8	182.6	3	144.6	3,105,140	5,462,502	3,793	6,225	1,784,082	5,162,146	165%	94%	1,934	1,163	1,163	0	1,980	771	771	394	TRUE	1,165	1,511	2,676	4.3	5.7	1,743		Need 5th well (demand)

Year	Quarter	Month	Single Family: Density < 4 DU/ acre (units)	Single Family: Density > 4 DU/ acre (units)	Multiple Family (units)	Commercial/ Retail (acres)	Resort (rooms)	School (acres)	Community Facilities (acres)	Park (acres)	Golf Courses	Roadway Landscaping (acres)	Potable Water (1): Annual Average Daily Flow (gpd)	Potable Water (1): Annual Average Maximum Daily Flow (gpd) (2)	Potable Water (1): Annual Average Maximum Daily Flow (gpm) (3)	Potable Water (1): Annual Average Peak Hour Flow (gpm) (3)	Sewer: Annual Average Daily Flow (gpd)	Sewer: Peak Hour Flow (gpd) (4)	Exterior Peaking (5)	Interior Peaking (6)	Irrigation Demand (gpm) (7)	Effluent Generation (gpm) (8)	Effluent Used (gpm)	Effluent Recharge (gpm)	Total Recharge (acre-feet)	Supplemental Irrigation (gpm)	Recovery Well Production (gpm)	Total Recovery (acre-feet)	Recovery < 80% of Recharge	Interior Potable Water Demand (gpm) (9)	Exterior Potable Water Demand (gpm)	Total Groundwater Demand (10) (gpm)	Potable Wells Needed to Meet Demands (11)	Potable Wells Needed to Meet CWR Requirements (11)	ADWR Compliance Calculation per Golf Course (12)		Comments
	3	Jul	2,498	2,995	1,380	65.7	250	98.0	63.8	182.6	3	144.6	3,131,044	5,509,129	3,826	6,280	1,799,514	5,208,442	198%	85%	2,332	1,061	1,061	0	1,980	1,271	1,271	460	TRUE	1,062	1,835	2,898	4.6	5.8	2,101		
		Aug	2,523	3,034	1,390	65.7	250	98.0	63.8	182.6	3	144.6	3,156,948	5,555,756	3,858	6,335	1,814,946	5,254,738	172%	87%	2,023	1,095	1,095	0	1,980	928	928	508	TRUE	1,097	1,605	2,701	4.4	5.8	1,823		
		Sep	2,547	3,074	1,400	65.7	250	98.0	63.8	182.6	3	144.6	3,182,852	5,602,384	3,891	6,390	1,830,378	5,301,034	118%	94%	1,392	1,193	1,193	0	1,980	199	199	518	TRUE	1,195	1,113	2,308	3.9	5.9	1,254		
	4	Oct	2,570	3,108	1,410	65.7	250	98.0	63.8	182.6	3	144.6	3,206,374	5,644,723	3,920	6,440	1,844,361	5,342,982	86%	96%	1,012	1,228	1,012	215	2,009	0	0	518	TRUE	1,230	815	2,045	3.6	5.9	912		
		Nov	2,593	3,143	1,420	65.7	250	98.0	63.8	182.6	3	144.6	3,229,896	5,687,063	3,949	6,490	1,858,344	5,384,930	60%	100%	699	1,289	699	589	2,088	0	0	518	TRUE	1,291	567	1,858	3.3	5.9	630		
		Dec	2,616	3,177	1,430	65.7	250	98.0	63.8	182.6	3	144.6	3,253,418	5,729,402	3,979	6,540	1,872,326	5,426,878	48%	100%	562	1,298	562	736	2,187	0	0	518	TRUE	1,300	459	1,760	3.2	6.0	507	65%	
2013	1	Jan	2,638	3,210	1,440	65.7	250	98.0	63.8	182.6	3	144.6	3,275,748	5,769,596	4,007	6,587	1,885,626	5,466,778	45%	103%	523	1,347	523	824	2,298	0	0	518	TRUE	1,349	430	1,778	3.2	6.0	471		
		Feb	2,659	3,243	1,450	65.7	250	98.0	63.8	182.6	3	144.6	3,298,078	5,809,790	4,035	6,635	1,898,926	5,506,678	50%	118%	589	1,554	589	965	2,427	0	0	518	TRUE	1,556	487	2,043	3.6	6.0	531		
		Mar	2,681	3,275	1,460	65.7	250	98.0	63.8	182.6	3	144.6	3,320,408	5,849,984	4,062	6,682	1,912,226	5,546,578	70%	118%	825	1,565	825	740	2,527	0	0	518	TRUE	1,567	687	2,254	3.8	6.1	743		Need 7th well (CWR)
	2	Apr	2,702	3,299	1,468	65.7	250	98.0	63.8	182.6	3	144.6	3,339,324	5,884,033	4,086	6,722	1,923,261	5,579,682	84%	109%	990	1,454	990	463	2,589	0	0	518	TRUE	1,456	829	2,285	3.9	6.1	892		
		May	2,723	3,322	1,476	65.7	250	98.0	63.8	182.6	3	144.6	3,358,240	5,918,082	4,110	6,763	1,934,296	5,612,786	103%	96%	1,213	1,288	1,213	75	2,599	0	0	518	TRUE	1,290	1,021	2,311	3.9	6.1	1,093		
		Jun	2,744	3,346	1,484	65.7	250	98.0	63.8	182.6	3	144.6	3,377,156	5,952,131	4,133	6,803	1,945,330	5,645,890	165%	94%	1,934	1,268	1,268	0	2,599	666	666	552	TRUE	1,270	1,638	2,907	4.6	6.2	1,743		
	3	Jul	2,764	3,369	1,494	65.7	250	98.0	63.8	182.6	3	144.6	3,396,182	5,986,378	4,157	6,843	1,956,492	5,679,374	198%	85%	2,332	1,153	1,153	0	2,599	1,178	1,178	613	TRUE	1,155	1,985	3,139	4.9	6.2	2,101		
		Aug	2,785	3,392	1,504	65.7	250	98.0	63.8	182.6	3	144.6	3,415,208	6,020,624	4,181	6,884	1,967,653	5,712,858	172%	87%	2,023	1,187	1,187	0	2,599	836	836	656	TRUE	1,189	1,731	2,920	4.6	6.2	1,823		
		Sep	2,806	3,415	1,514	65.7	250	98.0	63.8	182.6	3	144.6	3,434,234	6,054,871	4,205	6,924	1,978,814	5,746,342	118%	94%	1,392	1,290	1,290	0	2,599	102	102	662	TRUE	1,292	1,198	2,489	4.1	6.3	1,254		
	4	Oct	2,827	3,441	1,574	65.7	250	98.0	63.8	182.6	3	144.6	3,465,584	6,111,301	4,244	6,991	1,998,781	5,806,242	86%	96%	1,012	1,331	1,012	318	2,642	0	0	662	TRUE	1,333	878	2,211	3.8	6.3	912		
		Nov	2,849	3,467	1,634	65.7	250	98.0	63.8	182.6	3	144.6	3,496,934	6,167,731	4,283	7,057	2,018,748	5,866,142	60%	100%	699	1,400	699	701	2,736	0	0	662	TRUE	1,402	611	2,013	3.5	6.4	630		
		Dec	2,871	3,492	1,694	65.7	250	98.0	63.8	182.6	3	144.6	3,528,284	6,224,161	4,322	7,124	2,038,714	5,926,042	48%	100%	562	1,414	562	851	2,850	0	0	662	TRUE	1,416	495	1,911	3.4	6.4	507	65%	
2014	1	Jan	2,891	3,518	1,709	159.6	800	98.0	66.3	239.2	4	190.3	4,038,940	7,103,583	4,933	8,093	2,285,862	6,550,143	45%	103%	710	1,633	710	922	2,974	0	0	662	TRUE	1,635	542	2,177	3.7	7.2	628		Need 8th well (CWR)
		Feb	2,912	3,544	1,724	159.6	800	98.0	66.3	239.2	4	190.3	4,059,782	7,141,098	4,959	8,137	2,298,325	6,587,531	50%	118%	800	1,881	800	1,081	3,120	0	0	662	TRUE	1,883	613	2,497	4.1	7.2	708		
		Mar	2,932	3,570	1,739	159.6	800	98.0	66.3	239.2	4	190.3	4,080,624	7,178,614	4,985	8,181	2,310,787	6,624,919	70%	118%	1,121	1,891	1,121	770	3,223	0	0	662	TRUE	1,894	863	2,757	4.4	7.2	991		
	2	Apr	2,951	3,593	1,754	159.6	800	98.0	66.3	239.2	4	190.3	4,100,046	7,213,573	5,009	8,222	2,322,397	6,659,747	84%	109%	1,346	1,755	1,346	410	3,278	0	0	662	TRUE	1,758	1,041	2,799	4.5	7.3	1,190		
		May	2,970	3,616	1,769	159.6	800	98.0	66.3	239.2	4	190.3	4,119,468	7,248,533	5,034	8,264	2,334,006	6,694,575	103%	96%	1,648	1,554	1,554	0	3,278	94	94	667	TRUE	1,556	1,281	2,837	4.5	7.3	1,458		
		Jun	2,990	3,639	1,784	159.6	800	98.0	66.3	239.2	4	190.3	4,138,890	7,283,493	5,058	8,305	2,345,615	6,729,403	165%	94%	2,628	1,529	1,529	0	3,278	1,099	1,099	723	TRUE	1,531	2,051	3,582	5.5	7.3	2,324		Need 6th well (demand)
	3	Jul	3,007	3,656	1,849	159.6	800	98.0	66.3	239.2	4	190.3	4,166,600	7,333,371	5,093	8,364	2,363,582	6,783,303	198%	85%	3,168	1,393	1,393	0	3,278	1,774	1,774	815	TRUE	1,395	2,485	3,881	5.9	7.4	2,801		Need 3rd recovery well
		Aug	3,024	3,673	1,914	159.6	800	98.0	66.3	239.2	4	190.3	4,194,310	7,383,249	5,127	8,423	2,381,549	6,837,203	172%	87%	2,748	1,437	1,437	0	3,278	1,311	1,311	883	TRUE	1,439	2,168	3,607	5.5	7.4	2,430		
		Sep	3,041	3,691	1,979	159.6	800	98.0	66.3	239.2	4	190.3	4,222,020	7,433,127	5,162	8,482	2,399,515	6,891,103	118%	94%	1,891	1,564	1,564	0	3,278	327	327	900	TRUE	1,566	1,500	3,066	4.8	7.5	1,672		
	4	Oct	3,056	3,705	1,994	159.6	800	98.0	66.3	239.2	4	190.3	4,236,740	7,459,623	5,180	8,513	2,408,342	6,917,583	86%	96%	1,376	1,603	1,376	228	3,309	0	0	900	TRUE	1,606	1,094	2,700	4.4	7.5	1,216		
		Nov	3,071	3,719	2,009	159.6	800	98.0	66.3	239.2	4	190.3	4,251,460	7,486,119	5,199	8,544	2,417,169	6,944,063	60%	100%	950	1,676	950	726	3,407	0	0	900	TRUE	1,679	758	2,437	4.0	7.5	840		
		Dec	3,086	3,734	2,024	159.6	800	98.0	66.3	239.2	4	190.3	4,266,180	7,512,615	5,217	8,575	2,425,995	6,970,543	48%	100%	764	1,682	764	918	3,530	0	0	900	TRUE	1,685	612	2,297	3.9	7.5	676	65%	
2015	1	Jan	3,103	3,739	2,036	159.6	800	98.0	66.3	239.2	4	190.3	4,278,853	7,535,427	5,233	8,602	2,433,235	6,992,263	45%	103%	710	1,738	710	1,028	3,668	0	0	900	TRUE	1,740	570	2,311	3.9	7.5	628		
		Feb	3,120	3,745	2,049	159.6	800	98.0	66.3	239.2	4	190.3	4,291,526	7,558,239	5,249	8,629	2,440,475	7,013,983	50%	118%	800	1,997	800	1,197	3,829	0	0	900	TRUE	2,000	645	2,644	4.3	7.6	708		
		Mar	3,137	3,751	2,061	159.6	800	98.0	66.3	239.2	4	190.3	4,304,200	7,581,051	5,265	8,656	2,447,715	7,035,703	70%	118%	1,121	2,003	1,121	882	3,948	0	0	900	TRUE	2,006	905	2,911	4.6	7.6	991		
	2	Apr	3,155	3,751	2,075	159.6	800	98.0	66.3	239.2	4	190.3	4,315,680	7,601,715	5,279	8,681	2,454,155	7,055,023	84%	109%	1,346	1,855	1,346	509	4,016	0	0	900	TRUE	1,858	1,090	2,948	4.7	7.6	1,190		
		May	3,172	3,751	2,089	159.6	800	98.0	66.3	239.2	4	190.3	4,327,160	7,622,379	5,293	8,705	2,460,595	7,074,343	103%	96%	1,648	1,638	1,638	0	4,016	10	10	900	TRUE	1,640	1,339	2,979	4.7	7.6	1,458		
		Jun	3,190	3,751	2,103	159.6	800	98.0	66.3	239.2	4	190.3	4,338,640	7,643,043	5,308	8,729	2,467,035	7,093,663	165%	94%	2,628	1,608	1,608	0	4,016	1,020	1,020	953	TRUE	1,610	2,141	3,751	5.7	7.6	2,324		
	3	Jul	3,207	3,751	2,113	159.6	800	98.0	66.3	239.2	4	190.3	4,349,240	7,662,123	5,321	8,752	2,472,835	7,111,063	198%	85%	3,168	1,458	1,458	0	4,016	1,710	1,710	1,041	TRUE	1,460	2,587	4,046	6.1	7.7	2,801		Need 7th well (demand)
		Aug	3,225	3,751	2,123	159.6	800	98.0	66.3	239.2	4	190.3	4,359,840	7,681,203	5,334	8,774	2,478,635	7,128,463	172%	87%	2,748	1,495	1,495	0	4,016	1,253	1,253	1,106	TRUE	1,498	2,250	3,747	5.7	7.7	2,430		
		Sep	3,242	3,751	2,133	159.6	800	98.0	66.3	239.2	4	190.3	4,370,440	7,700,283	5,347	8,797	2,484,435	7,145,863	118%	94%	1,891	1,620	1,620	0	4,016	271	271	1,120	TRUE	1,622	1,552	3,174	5.0	7.7	1,672		
	4	Oct	3,258	3,751	2,143	159.6	800	98.0	66.3	239.2	4	190.3	4,380,320	7,718,067	5,360	8,818	2,489,875	7,162,183	86%	96%	1,376	1,658	1,376	282	4,054	0	0	1,120	TRUE	1,660	1,132	2,792	4.5	7.7	1,216		
		Nov	3,274	3,751	2,153	159.6	800	98.0	66.3	239.2	4	190.3	4,390,200	7,735,851	5,372	8,839	2,495,315	7,178,503	60%	100%	950	1,730	950	780	4,159	0	0	1,120	TRUE	1,733	783	2,516	4.1	7.7	840		
		Dec	3,290	3,751	2,163	159.6	800	98.0	66.3	239.2	4	190.3	4,400,080	7,753,635	5,384	8,860	2,500,755	7,194,823	48%	100%	764	1,734	764	970	4,289	0	0	1,120	TRUE	1,737	632	2,368	4.0	7.7	676	65%	
2016	1	Jan	3,303	3,751	2,173	216.5	800	98.0	69.3	250.7	4	208.2	4,531,265	7,977,075	5,540	9,107	2,595,796	7,434,701	45%	103%	717	1,854	717	1,137	4,442	0	0	1,120	TRUE	1,857	598	2,455	4.1	7.9	628		
		Feb	3,315	3,751	2,183	216.5	800	98.0	69.3	250.7	4	208.2	4,539,369	7,991,663	5,550	9,124	2,600,348	7,448,357	50%	118%	808	2,128	808	1,320	4,620	0	0	1,120	TRUE	2,131	675	2,806	4.5	7.9	708		
		Mar	3,327	3,751	2,193	216.5	800	98.0	69.3	250.7	4	208.2	4,547,473	8,006,250	5,560	9,141	2,604,900	7,462,013	70%	118%	1,132	2,132	1,132	1,000	4,754	0	0	1,120	TRUE	2,135	947	3,082	4.9	7.9	991		
	2	Apr	3,339	3,751	2,203	216.5	800	98.0	69.3	250.7	4	208.2	4,555,577	8,020,837	5,570	9,158	2,609,452	7,475,669	84%	109%	1,359	1,972	1,359	614	4,836	0	0	1,120	TRUE	1,975	1,140	3,115	4.9	8.0	1,190		
		May	3,352	3,751	2,213	216.5	800	98.0	69.3	250.7	4	208.2	4,563,681	8,035,424	5,580	9,176	2,614,004	7,489,325	103%	96%	1,664	1,740	1,664	76	4,847	0	0	1,120	TRUE	1,743	1,398	3,141	4.9	8.0	1,458		
		Jun	3,364	3,751	2,223	216.5	800	98.0	69.3	250.7	4	208.2	4,571,785	8,050,011	5,590	9,193	2,618,556	7,502,981	165%	94%	2,654	1,707	1,707	0	4,847	947	947	1,169	TRUE	1,709	2,234	3,943	5.9	8.0	2,324		
	3	Jul	3,376	3,751	2,228	216.5	800	98.0	69.3	250.7	4	208.2	4,578,789	8,062,619	5,599	9,208	2,622,308	7,514,237	198%	85%	3,198	1,546	1,546	0	4,847	1,653	1,653	1,254	TRUE	1,548	2,697	4,245	6.3	8.0	2,801		
		Aug	3,389	3,751	2,233	216.5	800	98.0	69.3	250.7	4	208.2	4,585,793	8,075,226	5,608	9,223	2,626,060	7,525,493	172%	87%	2,775	1,584	1,584	0	4,847	1,190	1,190	1,316	TRUE	1,587	2,344	3,930	5.9	8.0	2,430		
		Sep	3,401	3,751	2,238	216.5	800	98.0	69.3	250.7	4	208.2	4,592,797	8,087,833	5,617	9,238	2,629,812	7,536,749	118%	94%	1,909	1,714	1,714	0	4,847	195	195	1,326	TRUE	1,717	1,615	3,332	5.2	8.0	1,672		
	4	Oct	3,412	3,751	2,238	216.5	800	98.0	69.3	250.7	4	208.2	4,598,269	8,097,683	5,623	9,249	2,632,548	7,544,957	86%	96%	1,389	1,753	1,389	364	4,896	0	0	1,326	TRUE	1,755	1,177	2,932	4.7	8.0	1,216		
		Nov	3,424	3,751	2,238	216.5	800	98.0	69.3	250.7	4	208.2	4,603,741	8,107,532	5,630	9,261	2,635,284	7,553,165	60%	100%	959	1,827	959	868	5,012	0	0	1,326	TRUE	1,830	814	2,644	4.3	8.0	840		
		Dec	3,435	3,751	2,238	216.5	800	98.0	69.3	250.7	4	208.2	4,609,213	8,117,382	5,637	9,272	2,638,020	7,561,373	48%	100%	772	1,829	772	1,058	5,154	0	0	1,326	TRUE	1,832	656	2,487	4.1	8.0	676	65%	
2017	1	Jan	3,446	3,751	2,238	234.6	1,000	98.0	69.3	258.4	4	214.6	4,745,533	8,357,252	5,804	9,546	2,698,893	7,714,840	45%	103%	721	1,928	721	1,207	5,317	0	0	1,326	TRUE	1,930	633	2,563	4.2	8.3	628		Need 9th well (CWR)
		Feb	3,457	3,751	2,238	234.6	1,000	98.0	69.3	258.4	4	214.6	4,750,669	8,366,497	5,810	9,557	2,701,461	7,722,544	50%	118%	812	2,211	812	1,399	5,505	0	0	1,326	TRUE	2,214	714	2,927	4.7	8.3	708		
		Mar	3,467	3,751	2,238	234.6	1,000	98.0	69.3	258.4	4	214.6	4,755,805	8,375,742	5,816	9,568	2,704,029	7,730,248	70%	118%	1,137	2,213	1,137	1,076	5,649	0	0	1,326	TRUE	2,216	1,001	3,217	5.0	8.3	991		
	2	Apr	3,475	3,751	2,238	234.6	1,000	98.0	69.3	258.4	4	214.6	4,759,613	8,382,596	5,821	9,576	2,705,933	7,735,960	84%	109%	1,365	2,045	1,365	680	5,741	0	0	1,326	TRUE	2,048	1,203	3,251	5.1	8.3	1,190		
		May	3,483	3,751	2,238	234.6	1,000	98.0	69.3	258.4	4	214.6	4,763,421	8,389,451	5,826	9,584	2,707,837	7,741,672	103%	96%	1,672	1,803	1,672	130	5,758	0	0	1,326	TRUE	1,805	1,474	3,280	5.1	8.3	1,458		
		Jun	3,491	3,751	2,238	234.6	1,000	98.0	69.3	258.4	4	214.6	4,767,229	8,396,305	5,831	9,592	2,709,741	7,747,384	165%	94%	2,667	1,766	1,766	0	5,758	900	900	1,372	TRUE	1,769	2,353	4,122	6.2	8.3	2,324		

Year	Quarter	Month	Single Family: Density < 4 DU/ acre (units)	Single Family: Density > 4 DU/ acre (units)	Multiple Family (units)	Commercial/ Retail (acres)	Resort (rooms)	School (acres)	Community Facilities (acres)	Park (acres)	Golf Courses	Roadway Landscaping (acres)	Potable Water (1): Annual Average Daily Flow (gpd)	Potable Water (1): Annual Average Maximum Daily Flow (gpd) (2)	Potable Water (1): Annual Average Maximum Daily Flow (gpm) (3)	Potable Water (1): Annual Average Peak Hour Flow (gpm) (3)	Sewer: Annual Average Daily Flow (gpd)	Sewer: Peak Hour Flow (gpd) (4)	Exterior Peaking (5)	Interior Peaking (6)	Irrigation Demand (gpm) (7)	Effluent Generation (gpm) (8)	Effluent Used (gpm)	Effluent Recharge (gpm)	Total Recharge (acre-feet)	Supplemental Irrigation (gpm)	Recovery Well Production (gpm)	Total Recovery (acre-feet)	Recovery < 80% of Recharge	Interior Potable Water Demand (gpm) (9)	Exterior Potable Water Demand (gpm)	Total Groundwater Demand (10) (gpm)	Potable Wells Needed to Meet Demands (11)	Potable Wells Needed to Meet CWR Requirements (11)	ADWR Compliance Calculation per Golf Course (12)		Comments
	3	Jul	3,499	3,751	2,238	234.6	1,000	98.0	69.3	258.4	4	214.6	4,771,037	8,403,160	5,836	9,600	2,711,645	7,753,096	198%	85%	3,214	1,598	1,598	0	5,758	1,615	1,615	1,456	TRUE	1,601	2,839	4,439	6.5	8.3	2,801		
		Aug	3,507	3,751	2,238	234.6	1,000	98.0	69.3	258.4	4	214.6	4,774,845	8,410,014	5,840	9,608	2,713,549	7,758,808	172%	87%	2,788	1,637	1,637	0	5,758	1,151	1,151	1,515	TRUE	1,639	2,465	4,104	6.1	8.3	2,430		
		Sep	3,515	3,751	2,238	234.6	1,000	98.0	69.3	258.4	4	214.6	4,778,653	8,416,868	5,845	9,616	2,715,453	7,764,520	118%	94%	1,919	1,770	1,770	0	5,758	148	148	1,523	TRUE	1,773	1,698	3,470	5.3	8.3	1,672		
	4	Oct	3,523	3,751	2,238	234.6	1,000	98.0	69.3	258.4	4	214.6	4,782,461	8,423,723	5,850	9,625	2,717,357	7,770,232	86%	96%	1,396	1,809	1,396	413	5,814	0	0	1,523	TRUE	1,812	1,236	3,048	4.8	8.3	1,216		
		Nov	3,531	3,751	2,238	234.6	1,000	98.0	69.3	258.4	4	214.6	4,786,269	8,430,577	5,855	9,633	2,719,261	7,775,944	60%	100%	964	1,886	964	922	5,938	0	0	1,523	TRUE	1,888	855	2,743	4.4	8.3	840		
		Dec	3,539	3,751	2,238	234.6	1,000	98.0	69.3	258.4	4	214.6	4,790,077	8,437,432	5,859	9,641	2,721,165	7,781,656	48%	100%	775	1,887	775	1,112	6,087	0	0	1,523	TRUE	1,890	688	2,578	4.2	8.3	676	65%	
2018	1	Jan	3,545	3,751	2,238	234.6	1,000	98.0	69.3	258.4	4	214.6	4,793,053	8,442,788	5,863	9,647	2,722,653	7,786,120	45%	103%	721	1,945	721	1,224	6,252	0	0	1,523	TRUE	1,947	640	2,587	4.2	8.3	628		
		Feb	3,551	3,751	2,238	234.6	1,000	98.0	69.3	258.4	4	214.6	4,796,029	8,448,145	5,867	9,653	2,724,141	7,790,584	50%	118%	812	2,229	812	1,417	6,442	0	0	1,523	TRUE	2,232	721	2,954	4.7	8.3	708		
		Mar	3,557	3,751	2,238	234.6	1,000	98.0	69.3	258.4	4	214.6	4,799,005	8,453,502	5,870	9,660	2,725,629	7,795,048	70%	118%	1,137	2,230	1,137	1,093	6,589	0	0	1,523	TRUE	2,234	1,011	3,245	5.1	8.3	991		
	2	Apr	3,562	3,751	2,238	234.6	1,000	98.0	69.3	258.4	4	214.6	4,801,309	8,457,649	5,873	9,665	2,726,781	7,798,504	84%	109%	1,365	2,061	1,365	696	6,683	0	0	1,523	TRUE	2,064	1,215	3,279	5.1	8.3	1,190		
		May	3,567	3,751	2,238	234.6	1,000	98.0	69.3	258.4	4	214.6	4,803,613	8,461,796	5,876	9,669	2,727,933	7,801,960	103%	96%	1,672	1,816	1,672	144	6,702	0	0	1,523	TRUE	1,819	1,489	3,307	5.1	8.3	1,458		
		Jun	3,572	3,751	2,238	234.6	1,000	98.0	69.3	258.4	4	214.6	4,805,917	8,465,944	5,879	9,674	2,729,085	7,805,416	165%	94%	2,667	1,779	1,779	0	6,702	888	888	1,569	TRUE	1,781	2,375	4,157	6.2	8.3	2,324		
	3	Jul	3,572	3,751	2,238	234.6	1,000	98.0	69.3	258.4	4	214.6	4,805,917	8,465,944	5,879	9,674	2,729,085	7,805,416	198%	85%	3,214	1,609	1,609	0	6,702	1,605	1,605	1,652	TRUE	1,611	2,863	4,474	6.6	8.3	2,801		
		Aug	3,572	3,751	2,238	234.6	1,000	98.0	69.3	258.4	4	214.6	4,805,917	8,465,944	5,879	9,674	2,729,085	7,805,416	172%	87%	2,788	1,647	1,647	0	6,702	1,142	1,142	1,711	TRUE	1,649	2,484	4,132	6.2	8.3	2,430		
		Sep	3,572	3,751	2,238	234.6	1,000	98.0	69.3	258.4	4	214.6	4,805,917	8,465,944	5,879	9,674	2,729,085	7,805,416	118%	94%	1,919	1,779	1,779	0	6,702	140	140	1,718	TRUE	1,781	1,709	3,491	5.4	8.3	1,672		
	4	Oct	3,572	3,751	2,238	234.6	1,000	98.0	69.3	258.4	4	214.6	4,805,917	8,465,944	5,879	9,674	2,729,085	7,805,416	86%	96%	1,396	1,817	1,396	421	6,759	0	0	1,718	TRUE	1,819	1,243	3,063	4.8	8.3	1,216		
		Nov	3,572	3,751	2,238	234.6	1,000	98.0	69.3	258.4	4	214.6	4,805,917	8,465,944	5,879	9,674	2,729,085	7,805,416	60%	100%	964	1,893	964	929	6,884	0	0	1,718	TRUE	1,895	859	2,754	4.4	8.3	840		
		Dec	3,572	3,751	2,238	234.6	1,000	98.0	69.3	258.4	4	214.6	4,805,917	8,465,944	5,879	9,674	2,729,085	7,805,416	48%	100%	775	1,893	775	1,117	7,034	0	0	1,718	TRUE	1,895	691	2,586	4.2	8.3	676	65%	
2019	1	Jan	3,572	3,751	2,238	234.6	1,000	98.0	69.3	258.4	4	214.6	4,805,917	8,465,944	5,879	9,674	2,729,085	7,805,416	45%	103%	721	1,949	721	1,229	7,199	0	0	1,718	TRUE	1,952	642	2,594	4.2	8.3	628		
		Feb	3,572	3,751	2,238	234.6	1,000	98.0	69.3	258.4	4	214.6	4,805,917	8,465,944	5,879	9,674	2,729,085	7,805,416	50%	118%	812	2,233	812	1,421	7,390	0	0	1,718	TRUE	2,236	723	2,959	4.7	8.3	708		
		Mar	3,572	3,751	2,238	234.6	1,000	98.0	69.3	258.4	4	214.6	4,805,917	8,465,944	5,879	9,674	2,729,085	7,805,416	70%	118%	1,137	2,233	1,137	1,096	7,537	0	0	1,718	TRUE	2,236	1,013	3,249	5.1	8.3	991		
	2	Apr	3,572	3,751	2,238	234.6	1,000	98.0	69.3	258.4	4	214.6	4,805,917	8,465,944	5,879	9,674	2,729,085	7,805,416	84%	109%	1,365	2,063	1,365	698	7,631	0	0	1,718	TRUE	2,066	1,216	3,282	5.1	8.3	1,190		
		May	3,572	3,751	2,238	234.6	1,000	98.0	69.3	258.4	4	214.6	4,805,917	8,465,944	5,879	9,674	2,729,085	7,805,416	103%	96%	1,672	1,817	1,672	145	7,650	0	0	1,718	TRUE	1,819	1,490	3,309	5.1	8.3	1,458		
		Jun	3,572	3,751	2,238	234.6	1,000	98.0	69.3	258.4	4	214.6	4,805,917	8,465,944	5,879	9,674	2,729,085	7,805,416	165%	94%	2,667	1,779	1,779	0	7,650	888	888	1,764	TRUE	1,781	2,375	4,157	6.2	8.3	2,324		
	3	Jul	3,572	3,751	2,238	234.6	1,000	98.0	69.3	258.4	4	214.6	4,805,917	8,465,944	5,879	9,674	2,729,085	7,805,416	198%	85%	3,214	1,609	1,609	0	7,650	1,605	1,605	1,847	TRUE	1,611	2,863	4,474	6.6	8.3	2,801		
		Aug	3,572	3,751	2,238	234.6	1,000	98.0	69.3	258.4	4	214.6	4,805,917	8,465,944	5,879	9,674	2,729,085	7,805,416	172%	87%	2,788	1,647	1,647	0	7,650	1,142	1,142	1,906	TRUE	1,649	2,484	4,132	6.2	8.3	2,430		
		Sep	3,572	3,751	2,238	234.6	1,000	98.0	69.3	258.4	4	214.6	4,805,917	8,465,944	5,879	9,674	2,729,085	7,805,416	118%	94%	1,919	1,779	1,779	0	7,650	140	140	1,913	TRUE	1,781	1,709	3,491	5.4	8.3	1,672		
	4	Oct	3,572	3,751	2,238	234.6	1,000	98.0	69.3	258.4	4	214.6	4,805,917	8,465,944	5,879	9,674	2,729,085	7,805,416	86%	96%	1,396	1,817	1,396	421	7,707	0	0	1,913	TRUE	1,819	1,243	3,063	4.8	8.3	1,216		
		Nov	3,572	3,751	2,238	234.6	1,000	98.0	69.3	258.4	4	214.6	4,805,917	8,465,944	5,879	9,674	2,729,085	7,805,416	60%	100%	964	1,893	964	929	7,832	0	0	1,913	TRUE	1,895	859	2,754	4.4	8.3	840		
		Dec	3,572	3,751	2,238	234.6	1,000	98.0	69.3	258.4	4	214.6	4,805,917	8,465,944	5,879	9,674	2,729,085	7,805,416	48%	100%	775	1,893	775	1,117	7,982	0	0	1,913	TRUE	1,895	691	2,586	4.2	8.3	676	65%	
Total			**3,572**	**3,751**	**2,238**	**234.6**	**1,000**	**98.0**	**69.3**	**258.4**	**4**	**214.6**	**4,805,917**	**8,465,944**	**5,879**	**9,674**	**2,729,085**	**7,805,416**	**100%**	**100%**	**1,619**	**1,893**	**1,619**	**273**	**8,019**	**0**	**0**	**1,913**	**TRUE**	**1,895**	**1,442**	**3,337**	**5.2**	**8.3**			

	Density < 4	Density > 4	Multiple Family	Commercial/ Retail	Resort	School	Community Facilities	Park	Golf Courses	Roadway Landscaping
Water Demands	480	300	220	1,700	446	1,634	1,339	1,800		1,339
Sewer Demands	240	200	160	1,500	150	1,471	1,138	300		0
Max Day Factor	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.5		1.0
Peak Hr Factor	3.06	3.06	3.06	3.06	3.06	3.06	3.06	1.0		1.0
Sewer Peaking	3.0	3.0	3.0	2.5	2.5	2.5	2.5	2.5		-

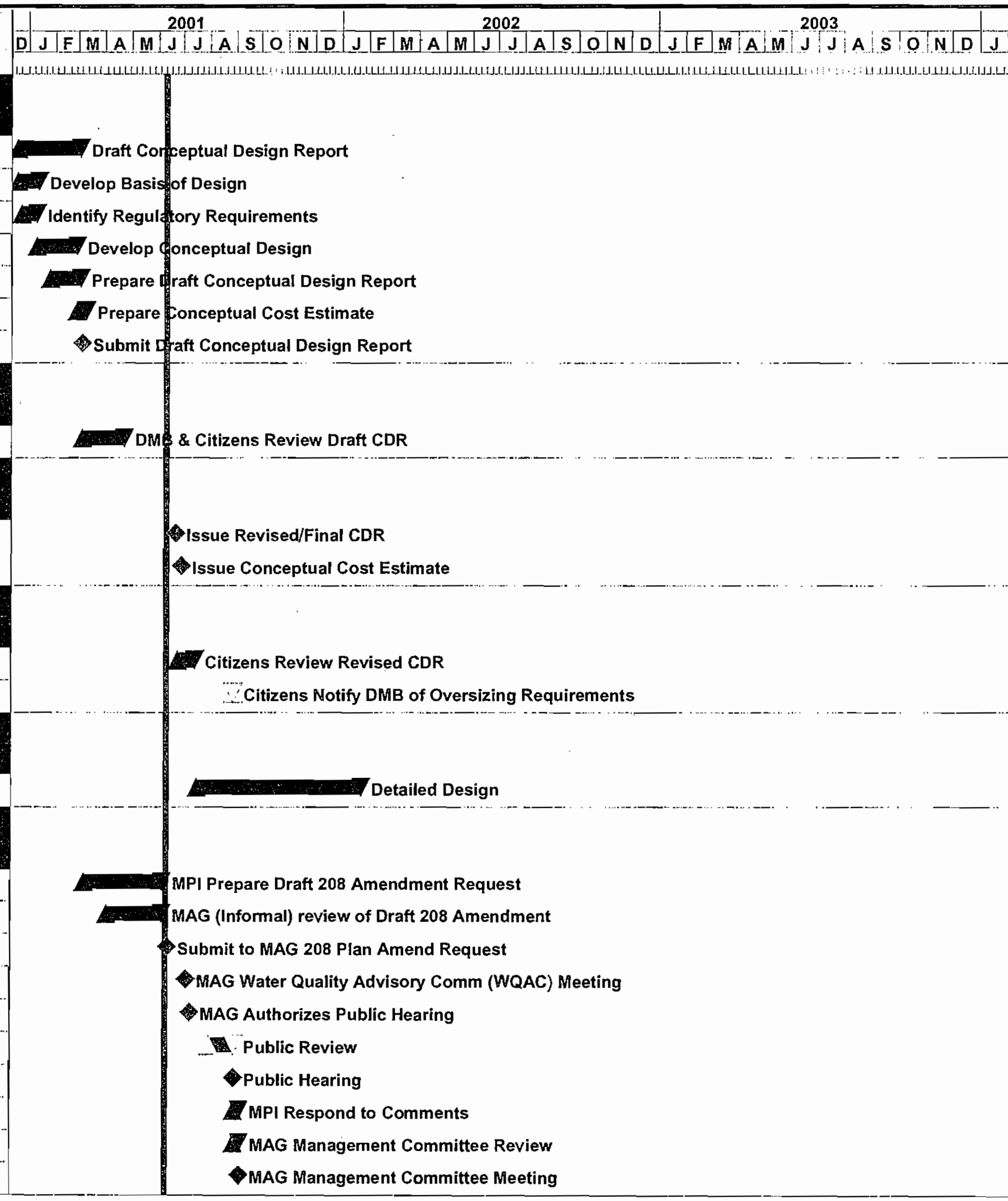
Assumptions:

(1) Assumes all park and roadway landscaping areas are irrigated with potable water in phase 1. Half of park and roadway landscaping areas are irrigated with potable water and half are irrigated with effluent in phase 2 through build-out.
(2) The maximum day flow is 1.8 times the average day flow for all land uses, except for parks and roadway landscaping, which have multipliers of 1.5 and 1.0, respectively.
(3) The peak hour flow is 1.7 times the maximum day flow for all land uses, except for parks and roadway landscaping, which have multipliers of 1.0.
(4) The sewage peaking factor is 3.0 for residential and 2.5 for non-residential.
(5) The exterior peaking applies to both irrigation demands and exterior potable water demands.
(6) The interior peaking applies to both the effluent generation and interior potable water demands.
(7) Assumes 120 acres of equivalent turf per 18-hole golf course and driving range. Half of park and roadway landscaping areas are irrigated with effluent in phase 2 through build-out.
(8) The effluent generation is equal to the average sewer demand minus treatment losses.
(9) The interior water demand is equal to the average sewer demand.
(10) Total groundwater demand is equal to (supplemental irrigation - recovery well production) + interior potable water demand + exterior potable water demand.
(11) The number of 'equivalent' wells includes one additional potable production well to provide redundancy should one of the other wells be out of service
(12) The ADWR maximum allotment for a regulation 18-hole golf course is 546.62 acre-feet/year. Water demand for leaching has not been included in the water balance analysis. Recovered effluent has been included in the adjustment calculation.

APPENDIX C

Schedule

Activity ID	Activity Description	Orig Dur	Early Start	Early Finish
Draft Concept Design Report				
1000	Draft Conceptual Design Report	73*	20DEC00A	02MAR01A
1010	Develop Basis of Design	21	20DEC00A	12JAN01A
1020	Identify Regulatory Requirements	10	25DEC00A	10JAN01A
1030	Develop Conceptual Design	40	10JAN01A	26FEB01A
1050	Prepare Draft Conceptual Design Report	15	26JAN01A	02MAR01A
1040	Prepare Conceptual Cost Estimate	12	26FEB01A	08MAR01A
1060	Submit Draft Conceptual Design Report	0		05MAR01A
DMB Review & Approve CDR				
2000	DMB & Citizens Review Draft CDR	61	05MAR01A	23APR01A
Issue Final CDR				
3000	Issue Revised/Final CDR	0		22JUN01
3010	Issue Conceptual Cost Estimate	0		27JUN01
Citizens Review Revised CDR				
3500	Citizens Review Revised CDR	15	25JUN01	13JUL01
3510	Citizens Notify DMB of Oversizing Requirements	1	27AUG01	27AUG01
Detailed Design				
4000	Detailed Design	138*	16JUL01	23JAN02
Permits				
5050	MPI Prepare Draft 208 Amendment Request	20	07MAR01A	06JUN01A
5051	MAG (Informal) review of Draft 208 Amendment	12	04APR01A	06JUN01A
5052	Submit to MAG 208 Plan Amend Request	0	13JUN01A	
5053	MAG Water Quality Advisory Comm (WQAC) Meeting	0	05JUL01*	
5054	MAG Authorizes Public Hearing	0	09JUL01	
5055	Public Review	30	31JUL01	29AUG01
5057	Public Hearing	0		30AUG01*
5058	MPI Respond to Comments	5	31AUG01	04SEP01
5061	MAG Management Committee Review	5	31AUG01	04SEP01
5062	MAG Management Committee Meeting	0	05SEP01*	



Start Date	20DEC00
Finish Date	01APR03
Data Date	12JUN01
Run Date	12JUN01 16:50

Early Bar
Progress Bar
Critical Activity

DMB4

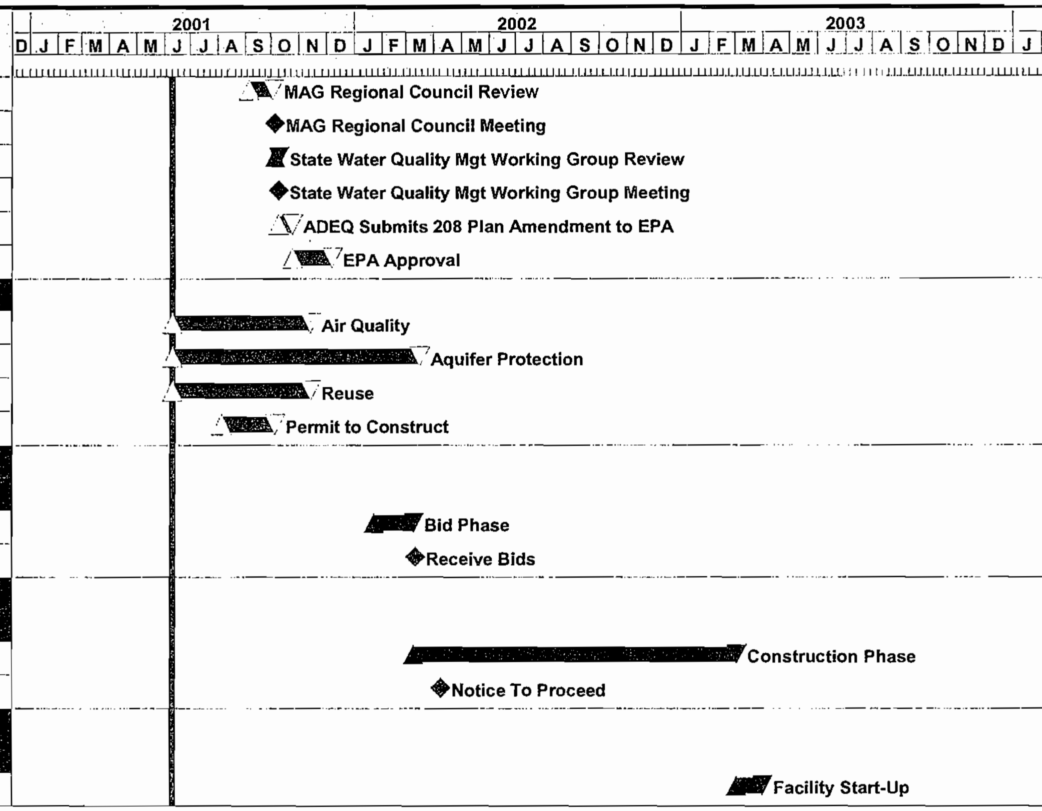
Sheet 1 of 2

Whitestone WRF
Design
Preliminary Schedule

DMB

MALCOLM PIRNIE

Activity ID	Activity Description	Orig Dur	Early Start	Early Finish
5063	MAG Regional Council Review	28	05SEP01	02OCT01
5064	MAG Regional Council Meeting	0		03OCT01*
5065	State Water Quality Mgt Working Group Review	6	04OCT01	09OCT01
5066	State Water Quality Mgt Working Group Meeting	0	10OCT01*	
5067	ADEQ Submits 208 Plan Amendment to EPA	14	10OCT01	23OCT01
5068	EPA Approval	45	24OCT01	07DEC01
5030	Air Quality	154	12JUN01	12NOV01
5000	Aquifer Protection	277	12JUN01	15MAR02
5010	Reuse	154	12JUN01	12NOV01
5020	Permit to Construct	60	05AUG01	03OCT01
Bidding				
6000	Bid Phase	45	24JAN02	09MAR02
4070	Receive Bids	0		11MAR02
Construction				
7000	Construction Phase	358	10MAR02	02MAR03
7010	Notice To Proceed	0	10APR02	
Start-up				
8000	Facility Start-Up	30	03MAR03	01APR03



APPENDIX D

Financial Assurance

DMB

April 26, 2001

Ms. Lindy Bauer
Environmental Program Coordinator
Maricopa Association of Governments
302 North 1st Avenue, Suite 300
Phoenix, AZ 85003

Re: Financial capacity of DMB Whitetank LLC to complete wastewater reclamation improvements pursuant to MAG208 Application dated April 2001

Dear Ms. Bauer:

Please be advised that DMB Whitetank LLC will continue to receive funding from its sole member, DMB Realco LLC, to enable it to meet its financial obligations regarding the above referenced wastewater reclamation project. DMB Realco has in place with affiliated private investors' credit facilities in excess of $100,000,000 which are available for the funding of DMB Realco's investments, including DMB Whitetank LLC.

Sincerely,

DMB Realco LLC
By DMB Associates, Inc.,
An Arizona corporation, Manager

By Timothy A. Kaehr
Its Executive Vice President

TAK/crs

I:\CarolynnS\Tim K\1202.doc

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2000 Commission file number 001-11001

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

CITIZENS COMMUNICATIONS COMPANY
(Exact name of registrant as specified in its charter)

Delaware	06-0619596
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

3 High Ridge Park
P.O. Box 3801
Stamford, Connecticut 06905
(Address, zip code of principal executive offices)

Registrant's telephone number, including area code: (203) 614-5600

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of exchange on which registered
Common Stock, par value $.25 per share	New York Stock Exchange
Guarantee of Convertible Preferred Securities of Citizens Utilities Trust	New York Stock Exchange
Citizens Convertible Debentures	N/A
Guarantee of Partnership Preferred Securities of Citizens Utilities Capital L.P.	N/A

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

The aggregate market value of the voting stock held by nonaffiliates of the registrant as of February 28, 2001 was $3,942,006,337.

The number of shares outstanding of the registrant's Common Stock as of February 28, 2001 was 266,372,768.

DOCUMENTS INCORPORATED BY REFERENCE

The Proxy Statement for the registrant's 2001 Annual Meeting of Stockholders to be held on May 17, 2001 is incorporated by reference into Part III of this Form 10-K.

TABLE OF CONTENTS

PART I

ITEM 1. BUSINESS

This annual report on Form 10-K contains forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied in the statements. Further discussion regarding forward-looking statements, including the factors which may cause actual results to differ from such statements, is located in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this report. Citizens Communications Company and its subsidiaries will be referred to as "we", "us" or "our" throughout this report.

a. Recent Developments

Citizens Communications Company (Citizens) is a telecommunications company providing wireline communications services primarily to rural areas, small and medium sized cities and towns throughout the United States as an incumbent local exchange carrier (ILEC). In addition, we provide competitive local exchange carrier (CLEC) services to business customers and to other communications carriers in the western United States through our 85% owned subsidiary, Electric Lightwave Inc. (ELI). We also provide public services including natural gas transmission and distribution, electric transmission and distribution and water distribution and wastewater treatment services to primarily rural and suburban customers throughout the United States.

In recent years, we have focused our efforts and resources toward transforming ourselves into a telecommunications provider. In order to execute this strategy, we announced our intention to acquire telephone access lines and to partially fund our future expansion into the telecommunications business through the divestiture of our public utility operations. During 1999, opportunities became available to acquire a significant number of telephone access lines that met our investment criteria. These acquisitions are consistent with our strategy to broaden our geographic profile and to acquire and operate ILEC businesses in small and medium sized cities and towns. They provide us with the opportunity to further achieve critical mass as well as economies of scale throughout the United States and will enable us to improve operating efficiencies. Between May 1999 and July 2000, we announced that we had entered into agreements to purchase approximately 2,034,700 telephone access lines (as of December 31, 2000) for approximately $6.5 billion in cash (see Acquisitions and Divestitures below).

During 1999, our Board of Directors also approved a plan of divestiture for our public services properties. Currently, we have agreements to sell all of our water and wastewater treatment businesses, one of our electric businesses and one of our gas businesses for approximately $1.5 billion in cash plus the assumption of certain liabilities (see Acquisitions and Divestitures below). In 1999, we initially accounted for the planned divestiture of public services as discontinued operations. As of December 31, 2000, we had not yet completed our plan of disposal for our gas and electric assets. In the third and fourth quarters of 2000, we reclassified all of our gas and electric assets to "assets held for sale", and their related liabilities to "liabilities related to assets held for sale", we also reclassified the results of these operations from discontinued operations to their original income statement captions as part of continuing operations, and restated prior periods to conform to the current presentation. We are continuing to actively pursue buyers for our gas and electric businesses that are not currently contracted for.

The Arizona and Vermont electric divisions were under contract to be sold to Cap Rock Energy Corp. This agreement was terminated on March 7, 2001 as a result of Cap Rock Energy Corp.'s inability to obtain the required financing in a timely manner.

b. Financial Information about Industry Segments

We traditionally measured our segments by service (ILEC, ELI, Gas, Electric, Water and Wastewater). Currently, the water and wastewater segment is no longer presented as a segment but is included in discontinued operations. Although the gas and electric segments have been classified as "assets held for sale" and "liabilities related to assets held for sale" and it is our intention to divest of these operations, we are classifying these businesses as continuing operations and are presenting these operations in our segment footnote as required. As we divest our gas and electric operations and become solely a telecommunications provider, the measurement of segments will evolve to be representative of our then current business activities. Note 16 of the Notes to Consolidated Financial Statements included herein sets forth financial information about our industry segments for the last three fiscal years.

c. Description of Business

Ilec

We operate as an ILEC that provides both regulated and competitive communications services to residential, business and wholesale customers. Our ILEC services consist of local network services, network access services, long distance services, directory advertising, Centrex, custom calling, voice mail and conference calling and caller ID services. In addition, we offer limited paging, cellular, Internet access and cable television services.

Strategy

Our strategy is to focus our efforts and resources toward transforming ourselves into a pure telecommunication provider. As a result, in 1999 and 2000 we announced our intention to acquire telephone access lines from Verizon Communications, formerly GTE Corp. (Verizon); Qwest Communications, formerly US West (Qwest); and 100% of the stock of Frontier Corp. (Frontier), a subsidiary of Global Crossing Ltd. (Global). If all announced acquisitions are finalized, we will be among the largest independent wireline telephone operators in the United States with approximately three million local (network) access lines located in 27 states as follows:

ILEC Pro-Forma Access lines as of December 31, 2000

State	*Citizens*(1)	*Verizon*(2) *Acquisition*	*Qwest*(2) *Acquisition*	*Frontier*(2) *Acquisition*	*Total*
New York	339,100	—	—	698,200	1,037,300
Minnesota	142,400	—	187,100	129,600	459,100
Arizona	163,000	8,600	171,500	—	343,100
California	145,600	55,100	—	—	200,700
West Virginia	153,200	—	—	—	153,200
Illinois	112,200	—	—	20,100	132,300
Iowa	—	—	53,200	60,400	113,600
Tennessee	102,500	—	—	—	102,500
Nebraska	62,200	—	14,900	—	77,100
Wisconsin	27,800	—	—	44,800	72,600
Idaho	21,700	—	33,900	—	55,600
Colorado	—	—	51,400	—	51,400
Pennsylvania	1,500	—	—	42,900	44,400
Georgia	—	—	—	29,000	29,000
Nevada	28,300	—	—	—	28,300
Alabama	—	—	—	27,700	27,700
Michigan	—	—	—	27,200	27,200
Utah	23,700	—	—	—	23,700
Montana	9,000	—	11,900	—	20,900
North Dakota	17,000	—	—	—	17,000
Oregon	15,100	—	—	—	15,100
Washington	—	—	10,000	—	10,000
New Mexico	6,900	—	—	—	6,900
Mississippi	—	—	—	6,500	6,500
Wyoming	—	—	5,900	—	5,900
Indiana	—	—	—	5,700	5,700
Florida	—	—	—	4,600	4,600
Total	1,371,200	63,700	539,800	1,096,700	3,071,400

(1) Represents our prior telephone access lines plus telephone access lines acquired through December 31, 2000 from Verizon (Nebraska, Minnesota and Illinois/Wisconsin) and Qwest (North Dakota).

(2) Represents telephone access line acquisitions pending as of December 31, 2000.

We intend to fully integrate our acquisitions with existing core telephone access line holdings by the end of the first fiscal quarter of 2002. We are acquiring telephone access lines on a state by state basis from each of Verizon and Qwest. As of December 31, 2000, we have closed on several Verizon states, including Nebraska (62,200 access lines), Minnesota (142,400 access lines), Illinois/Wisconsin (112,900 access lines), and one Qwest state, North Dakota (17,000 access lines). We expect the Frontier acquisition to close as a single transaction during the second half of 2001.

As each acquisition becomes fully integrated into our operations, we will seek to increase the penetration of value added services such as second lines and enhanced services (such as call forwarding, conference calling, caller identification, Internet, voicemail, call waiting, etc.). Currently, the penetration rates for enhanced services in these markets are below industry averages. If we are successful in increasing the penetration of these value-added services, in addition to increasing our revenue, we may be able to achieve higher operating margins due to the relatively low levels of operating costs necessary to maintain such services.

We intend to market these value-added services through direct mail and telemarketing programs. We recently introduced "Citizens Select" and "Citizens Select Plus" as a branded bundle of telecommunications services directed at our retail customer base in a majority of the states in which we operate. For one flat rate, customers can bundle their residential line with Custom Local Area Signaling Services (CLASS) and custom calling features. Citizens Select allows customers to choose up to seven features with their residential line while Citizens Select Plus allows customers to bundle as many features as desired plus voicemail. We believe that our ability to integrate value added services with our core Local Exchange Carrier (LEC) service would provide us with the opportunity to capture an increasing percentage of our customers' telecommunications expenditures.

In addition, as we upgrade and extend our physical plant and operations over the next several years, the installation of digital switches and related software will continue to be an important component of our strategy. In December 1999 we entered into a three-year agreement to outsource elements of central office engineering and commissioning of our network. This agreement provides for the immediate provisioning of current technology and continuing upgrade of software for our core network platform, deploying the latest switch software throughout our network, provisioning of switch capacity to support network growth, integrating acquired properties onto a common network platform and providing other project management and service support resources. These improvements to our network will allow us to continue to offer enhanced services and other high-speed premium-priced data services to our existing and future customer base.

Regulatory Environment

The Telecommunications Act of 1996 (the 1996 Act) dramatically changed the landscape of the telecommunications industry. The main thrust of the 1996 Act was to open local telecommunications marketplaces to competition while enhancing universal service. We expect the 1996 Act, subsequent state and federal regulatory rulings and technological changes to lead to reductions in the level of regulation for the telecommunications industry. Though the majority of our operations continue to be regulated extensively by various state regulatory agencies (often called public service commissions) and the Federal Communications Commission (FCC), we expect reductions in the level of regulation for some of our operations in the future. However, we are currently unable to determine the ultimate degree of change in regulation in our operating territories.

STATE REGULATION

Many of our properties continue to be regulated under a rate of return regime which sets prices for a specific property based on its level of earnings. However, in recent years, state legislatures have passed statutes enabling state regulators to reduce the degree of regulation. As a result, in certain states and at the federal level we have entered incentive regulation plans under which prices are capped in return for elimination or relaxation of earnings oversight. Some states also allow us more flexibility in price changes for optional services and relaxed reporting requirements. The goal of these incentive regulation plans is to provide incentives to improve efficiencies and increase pricing flexibility for non-monopoly services while ensuring that customers receive reasonable rates for basic services that continued to be deemed monopoly while still allowing us to continue to recover our costs in rates.

Approximately 85% of our ILEC sector revenue is regulated. The FCC regulates approximately 34% of our revenue while the various state regulatory agencies regulate approximately 51%. We expect state lawmakers to continue to review the statutes governing the level and type of regulation for ILEC services. Over the next few years, legislative and regulatory actions are expected to provide opportunities to restructure rates, introduce more flexible incentive regulation programs and possibly reduce the overall level of regulation. While we still believe that any actions will nonetheless allow us to recover our costs in rates, we expect the election of incentive regulation plans and the expected reduction in the overall level of regulation to allow us to introduce new services more expeditiously than in the past.

INTERSTATE REGULATION — CALLS PLAN

For interstate services regulated by the FCC, we have elected a form of incentive regulation known as price caps. Under price caps, interstate access rates are capped and adjusted annually by the difference between the level of inflation and a productivity factor. Most recently the productivity factor was set at 6.5%. Given the relatively low inflation rate in recent years, interstate access rates have been adjusted downward annually. In May 2000, the FCC adopted a revised methodology for regulating the interstate access rates of price cap companies for the next five years. The new program, known as the Coalition for Affordable Local and Long Distance Services (CALLs) plan, establishes a price floor for interstate-switched access services and phases out many of the subsidies in interstate access rates. Though end-user charges and an expanded universal service program will continue to benefit rural service providers such as our ILEC, they will also offset much of the reduction in interstate access rates. Annual adjustments based on the difference between inflation and the 6.5% productivity factor will continue for several years until the price floor for interstate switched access services is reached.

The CALLs plan has significant benefits for us in the long term. Though some of the required rate reductions are front loaded, the price floor provides a degree of certainty that rate reductions will be curtailed in the future. We were successful in negotiating a price floor that recognized the unique cost characteristics of rural telecommunications providers as opposed to being forced into a one-size-fits-all program designed for larger companies. Under the CALLs plan, for many of our properties, the price floor is higher than the rate level that would have been required over time under the previous rate programs. In addition, shifting revenue from interstate access services to end user customers and universal service programs provides us more control over future revenue as access customers seek alternatives to switched access services.

FEDERAL UNIVERSAL SERVICE

In 1998, the FCC determined that the federal universal service fund (USF) for non-rural companies would be based on a forward looking cost methodology, but chartered a Rural Task Force (RTF) to develop a recommendation for the funding methodology for rural companies. Since our properties are classified as rural, our federal USF will be driven by the rural methodology that is still under development. In October 2000, the RTF recommended the use of embedded cost instead of forward-looking costs to determine the USF for rural companies. In addition, the RTF suggested the FCC should adjust the caps on the USF to recognize inflation and allow rural companies the opportunity to recover some of the costs associated with incremental investment. In December 2000, the Federal/State Universal Service Joint Board (Joint Board) recommended that the FCC adopt the RTF recommendations. Although, the final FCC decision is still uncertain, if the FCC agrees with the Joint Board, the combination of the embedded cost methodology and some relief on the caps should provide rural providers like us with a more stable source of USF money over the next several years.

ACCESS CHARGE REFORM

Another goal of the 1996 Act was to remove implicit subsidies from the rates charged by local telecommunications companies. The CALLs plan addressed this requirement for interstate services. State legislatures and regulatory agencies are beginning to reduce the implicit subsidies in intrastate rates. The most common subsidies are in access rates that historically have been priced above their costs to allow basic local rates to be priced below cost. Legislation has been considered in several states to require regulators to eliminate these subsidies and implement state universal service programs to maintain reasonable basic local rates. In Tennessee, for example, as a result of such legislation, we will be reducing intrastate access rates by $1 million per year for three years beginning in 2001. We anticipate additional state legislative and regulatory pressure to lower intrastate access rates in the near future. However, regulators are cognizant of the potential impact on basic local rates and are moving cautiously. Many states are embracing the need for state universal service funds to ensure protection for customers while ensuring that local telecommunications companies continue to have the incentive to recover in rates their investment in their networks and new services.

UNSERVED AREAS

State legislatures and regulators are also examining the provision of telecommunications services to previously unserved areas. Since many unserved areas are located in rural markets, we may be required to expand our service territory into some of these areas. Given the start-up costs involved with territory expansion, we expect legislatures and regulators to continue to move cautiously and provide some method of recovery for the costs associated with serving these new areas.

Competition

In each of our markets there is the potential for competition from a variety of sources. However, the geographic and demographic characteristics of the small to mid-size communities that we serve make the entrance of competitors difficult because of the significant capital investment required, the limited market size and the lack of brand recognition. Accordingly, it is our goal to provide a level of products and services that continue to position us as the preferred provider of communications in our markets.

As previously mentioned, one of the primary goals of the 1996 Act was to open local telecommunications markets to competition. The 1996 Act and subsequent FCC interconnection decisions have established the relationships between ILECs such as us, and CLECs such as ELI, and the mechanisms for competitive market entry. Though carriers like us, who serve predominantly rural markets, did receive a qualified exemption from some of the technical requirements imposed upon all ILECs for interconnection arrangements, we did not receive an exemption from interconnection or local exchange competition in general.

Under the 1996 Act and subsequent FCC and state rules, competitors can compete using one or more of three mechanisms:

- Construction of its own local exchange facilities, in which case the ILEC's sole obligation is interconnection for purposes of traffic interchange;
- Purchase unbundled network elements (UNEs) at cost from the ILEC and assemble them into local exchange services and/or supplement the facilities it already owns;
- Resale of the ILEC's retail services purchased at wholesale rates from the ILEC.

Some competitors have taken advantage of the ILEC's requirement to pay the CLEC reciprocal compensation for traffic delivered to the CLEC. The increase of traffic over the Internet has provided CLECs with an immediate mechanism to build traffic and reciprocal compensation revenues. It is important to note that while we are a reciprocal compensation payor, ELI is a reciprocal compensation receiver. We expect the spread of Digital Subscriber Line (DSL) and other high speed network services that give customers a dedicated link to the internet and expected actions by the FCC and/or the United States Congress to limit the future growth of reciprocal compensation.

Under the 1996 Act the Regional Bell Operating Companies (RBOCs) were precluded from competing in most long distance markets until they satisfied the state regulatory authority and the FCC that their markets had been sufficiently opened to local exchange competition. Beginning in 1999, state regulators and the FCC began to allow the RBOCs to enter the long distance market in some states. By the end of 2000, RBOC long distance entry was only allowed in New York and Texas. However, we expect additional states to follow suit in the near future. Since we currently offer long distance service in New York and other states, it is possible that the entry of the RBOCs into this market could adversely impact our operations.

Though much of the initial competition in local telecommunications has been in more densely populated urban areas, we have begun to experience competition in some of our suburban markets. As of December 31, 2000, we had entered into eighty-eight interconnection agreements. These competitors are mainly serving internet service providers and a few large business customers. Competition for residential customers is present in isolated areas.

Electric Lightwave, Inc.

ELI is a facilities-based CLEC that provides a broad range of communications services to businesses. ELI provides the full range of wireline telecommunications products and services, including switched local and long distance voice services, data communications services and dedicated point-to-point services, in the western United States. ELI markets to retail business customers regionally and nationally to wholesale communications customers.

ELI currently provides the full range of its services in seven major cities and their surrounding areas, including:

Boise, Idaho	Phoenix, Arizona
Portland, Oregon	Sacramento, California
Salt Lake City, Utah	Seattle, Washington
Spokane, Washington	

The major cities include a network of approximately 2,065 route miles of fiber optic cable installed to create a series of Synchronous Optical Network (SONET) rings, which provide a higher degree of stability and dependability. Switched service, including local dial tone, is provided from 8 Nortel DMS 500 switches in the primary major cities. ELI also has transmission equipment collocated with switches of the ILEC at 55 locations.

ELI has broadband data points of presence in its major cities as well as other cities across the United States, including:

Atlanta, Georgia	Austin, Texas
Chicago, Illinois	Cleveland, Ohio
Dallas, Texas	Denver, Colorado
Houston, Texas	Las Vegas, Nevada
Los Angeles, California	New York, New York
Philadelphia, Pennsylvania	San Diego, California
San Francisco, California	Washington, D.C.

ELI has developed an Internet backbone network with 65 routers providing Internet connectivity in each of its markets, including presence at all major network access points and include "peering arrangements" with other Internet backbone service providers. A peering arrangement is an agreement where Internet backbone service providers agree to allow each other direct access to Internet data contained on their networks. In addition, ELI's broadband network consists of frame relay switches, Asynchronous Transfer Mode (ATM) switches and network-to-network interfaces. National and international coverage is provided through strategic relationships with other communications providers.

ELI owns or leases broadband long-haul fiber optic network connections between its major cities in the west and its strategic markets across the nation. To the extent that traffic is carried on ELI's own facilities, ELI is able to maximize the utilization of its network facilities and minimize network access and certain interconnection costs. During 2000, ELI completed construction of a SONET ring in the western United States. This self-healing ring connects Portland, Sacramento, San Francisco, Los Angeles, Las Vegas, Salt Lake City and Boise.

In the development of ELI's long-haul facilities, ELI has formed strategic relationships with utility companies that enable ELI to:

- Utilize existing rights-of-way and fiber optic facilities;
- Utilize their construction expertise and local permitting experience;
- Minimize near term cash requirements in order for ELI to extend its network infrastructure more quickly and economically.

During 1999, ELI entered into a fiber-swap agreement, that exchanges unused fiber on its network for unused fiber on another carrier's network. This exchange will provide ELI with a fiber route from Salt Lake City to Denver and continuing on to Dallas. ELI anticipates the fiber network and the exchange to be completed in 2001.

The following table represents certain operating information relating to ELI:

	2000	1999	1998
Route miles*	5,924	4,052	3,091
Fiber miles*	297,284	214,864	181,568
Buildings connected	851	824	760
Access line equivalents	200,231	161,555	74,924
Switches and routers installed:			
Voice	8	8	7
Frame Relay	32	32	23
Internet	65	42	24
ATM	23	23	14
Customers	2,401	2,147	1,644

* Route miles and fiber miles also include those to which ELI has exclusive use pursuant to license and lease arrangements

Regulatory Environment

As a common carrier, ELI is subject to federal, state and local regulation. The FCC exercises jurisdiction over all interstate communications services. State commissions retain jurisdiction over all intrastate communications services. Local governments may require ELI to obtain licenses or franchises regulating the use of public rights-of-way necessary to install and operate its networks.

TELECOMMUNICATIONS ACT OF 1996

Since the passage of the 1996 Act, ELI has substantially expanded the breadth of its product offering and its geographic reach. It has expanded the number of its local fiber networks from two to seven cities in the west and developed its data and Internet network across the nation (see additional information related to the 1996 Act in the ILEC section above).

ELI has various interconnection agreements in the states in which it operates. These agreements govern reciprocal compensation relating to the transport and termination of traffic between the ILEC's and ELI's networks. On February 25, 1999, the FCC issued a Declaratory Ruling and Notice of Proposed Rulemaking that categorized calls terminated to Internet Service Providers (ISPs) as "largely" interstate in nature, which could have the effect of precluding these calls from reciprocal compensation charges. However, the ruling stated that the existing interconnection agreements and the state decisions that have defined them bind ILECs. The FCC gave the states authority to interpret existing interconnection agreements. Since this FCC order, Oregon, Washington, California, Utah and Arizona have ruled that calls terminated to ISPs should be included in the calculation to determine reciprocal compensation.

STATE REGULATION

Most state public utilities commissions require communications providers, such as ELI, to obtain operating authority prior to initiating intrastate services. Most states also require the filing of tariffs or price lists and/or customer-specific contracts. In the states in which ELI currently operates, ELI is not subject to rate-of-return or price regulation. ELI is subject, however, to state-specific quality of service, universal service, periodic reporting and other regulatory requirements, although the extent of such requirements is generally less than that applicable to ILECs.

Competition

ILEC COMPETITION

ELI's operations are designed to significantly compete with the ILECs in each of its facilities-based markets. The ILECs currently dominate the local exchange market and have historically been a de facto monopoly provider of local switched voice services. Primary ILEC competitors include Qwest, PacBell and Verizon.

CLEC COMPETITION

In each of the markets where ELI operates, at least one and in some cases several, other CLECs offer many of the same local communications services, generally at prices similar to those offered by ELI. Facility and non-facility based operational CLEC competitors in ELI's markets include AT&T Local Services, Time Warner Telecom, WorldCom, Inc. and XO Communications.

COMPETITION FROM OTHERS

Potential and actual new market entrants in the local communications services business include RBOCs entering new geographic markets, Inter Exchange Carriers (IXCs), cable television companies (CATVs), electric utilities, international carriers, satellite carriers, teleports, microwave carriers, wireless telephone system operators and private networks built by large end users. In addition, the current trend of business combinations and alliances in the communications industry, including mergers between RBOCs, may increase competition for ELI. With the passage of the 1996 Act and the entry of RBOCs into the long distance market, IXCs may be motivated to construct their own local facilities or otherwise acquire the right to use local facilities and/or resell the local services of ELI's competitors.

NETWORK SERVICES

Competition for network services is based on price, quality, network reliability, customer service, service features and responsiveness to the customer's needs. As a point of differentiation from the ILECs, ELI's fiber optic networks provide both diverse access routing and redundant electronics, design features not widely deployed within the ILEC's networks.

HIGH-SPEED DATA SERVICE

ELI's competitors for high-speed data services include major IXCs, other CLECs and various providers of niche services (such as Internet access providers, router management services and systems integrators). The interconnectivity of ELI's markets may create additional competitive advantages over other data service providers that must obtain local access from the ILEC or another CLEC in each market or that cannot obtain intercity transport rates on terms as favorable as those available to ELI.

INTERNET SERVICES

The market for Internet access and related services in the United States is extremely competitive, with barriers to entry related to capital costs, bandwidth capacity and internal provisioning and operations processes. We expect that competition will intensify as existing services and network providers and new entrants compete for customers. In addition, new enhanced Internet services such as managed router service and web hosting are constantly under development in the market, and we expect additional innovation in this market by a range of competitors. ELI's current and future competitors include the RBOCs, IXCs, CLECs and CATVs, and other Internet access providers.

In general, many of the competitors listed above have resources substantially greater than those available to ELI.

Public Services

We provide public services including natural gas transmission and distribution, electric transmission and distribution and water distribution and wastewater treatment services to primarily rural and suburban customers throughout the United States.

On August 24, 1999, our Board of Directors approved a plan of divestiture for our public services properties. In 1999, we initially accounted for the planned divestiture of public services as discontinued operations. As of December 31, 2000, we do not have agreements to sell our entire gas and electric segments. Consequently, in the third and fourth quarters of 2000, we reclassified all gas and electric assets and their related liabilities to "assets held for sale" and "liabilities related to assets held for sale", respectively. As a result, our discontinued operations only reflect the assets and related liabilities of the water and wastewater businesses.

Natural Gas

Our natural gas operating divisions provide natural gas transmission and distribution services (including synthetic natural gas and propane to our customers in Hawaii) in four states primarily to residential customers, as set forth below:

State	*Number of Customers*
Louisiana	278,200
Arizona	115,200
Hawaii	66,300
Colorado	13,800
Total	473,500

The provision of services and/or rates charged are subject to the jurisdiction of federal and state regulatory agencies, except for the non-regulated propane rates charged to customers in Hawaii. We purchase all needed gas supply (except for our production of synthetic natural gas in Hawaii). We believe our supply is adequate to meet current demands and to provide for additional sales to new customers. The gas industry is subject to seasonal demand (except in Hawaii), with the peak demand occurring during the heating season of November 1 through March 31. Our gas sector experiences third party competition from fuel oil, propane and other gas suppliers for most of our large consumption customers (of which there are few) and from electric suppliers for all of our customer base. The competitive position of gas at any given time depends primarily on the relative prices of gas and these other energy sources.

On April 13, 2000, we announced an agreement to sell our Louisiana Gas operations to Atmos Energy Corporation for $365,000,000 in cash plus the assumption of certain liabilities. This transaction is expected to close in the first half of 2001 following regulatory approvals (see Acquisitions and Divestitures below).

In the fourth quarter of 2000, we settled a proceeding with the Louisiana Public Service Commission. As a result, our Louisiana Gas Service subsidiary refunded approximately $27 million to ratepayers during the month of January 2001. The refund was effected as a credit on customers' bills. The entire refund represents amounts that had been collected by us through our purchase adjustment clause, plus interest, for the period 1992-1997 and was recorded by us in the fourth quarter of 2000 as a reduction to revenue. Related legal fees of approximately $2.7 million were also recorded in that period.

Electric

Our operating divisions provide electric transmission and distribution services in three states primarily to residential customers, as set forth below:

State	*Number of Customers*
Arizona	72,100
Hawaii	30,700
Vermont	20,700
Total	123,500

The provision of services and/or rates charged is subject to the jurisdiction of federal and state regulatory agencies. We purchase approximately 81% of needed electric energy. We believe our supply is adequate to meet current demands and to provide for additional sales to new customers. The majority of our generating facilities are on Kauai, Hawaii. We have smaller generating facilities in Arizona and Vermont, which are used mainly for back-up power supply. Generally, our electric sector does not experience material seasonal fluctuations.

The electric utility industry in the United States is undergoing fundamental changes. For many years, electric utilities have been vertically integrated entities responsible for the generation, transmission and distribution of electric power in a franchise territory. In return for monopoly status, electric utilities have been subject to comprehensive regulation at the state and federal level. The industry is now shifting toward electric customers being able to choose their energy provider much like telephone customers are able to choose their long distance provider. Generally, this involves splitting apart the generation and transmission of power from the remainder of the business, and having generators compete with one another in the sale of power directly to retail customers. The interconnected regional transmission grids will be operated independently, continuing as a federally regulated monopoly. Local transmission and distribution facilities would continue as state-regulated monopolies. This change in the industry is in various stages of development around the United States.

During the past year the decrease in the availability of power has caused power supply costs to increase substantially, forcing companies to pay higher operating costs to operate their electric businesses. As a result, companies have attempted to offset these increased costs by either renegotiating prices with their power suppliers or passing these additional costs on to their customers through a rate proceeding. In Arizona, we are currently disputing excessive power costs charged by our power supplier in the amount of approximately $57 million through December 31, 2000. We are allowed to recover these charges from ratepayers through the Purchase Power Fuel Adjustment clause. In an attempt to limit "rate shock" to our customers, we have requested that this deferred amount, plus interest, be recovered over a three-year period. As a result, we have deferred these costs on the balance sheet in anticipation of recovering certain amounts either through renegotiations or through the regulatory process.

On February 15, 2000, we announced that we had agreed to sell our electric utility operations. The Arizona and Vermont electric divisions were under contract to be sold to Cap Rock Energy Corp. Cap Rock Energy Corp. has failed to raise the required financing and obtain the required regulatory approval necessary to meet its obligations under the contract for sale. The agreement with Cap Rock Energy Corp. was terminated on March 7, 2001. The Kauai electric division is under contract to be sold to Kauai Island Electric Co-Op (see Acquisitions and Divestitures below).

In Kauai, historically, we received approximately 13% of our power from a third party provider. As of January 2001, this third party provider will no longer provide power due to the closure of their sugar operations. In order to avoid power outages, we have completed negotiations with a new third party provider for a new purchase power agreement. This agreement is subject to approval by the Hawaii Public Utility Commission (HPUC). Current forecasts report that Kauai will require additional electrical generating capacity in 2002. As a result, we have entered into a 25-year purchase power agreement with Kauai Power Partners (KPP), an independent power producer, to provide firm power by July 2002. This agreement was recently approved by the HPUC.

Acquisitions and Divestitures

Acquisitions

From May 27, 1999 through July 12, 2000 we entered into several agreements to acquire approximately 2,034,700 telephone access lines (as of December 31, 2000) for approximately $6.5 billion in cash. These transactions have been and will be accounted for using the purchase method of accounting. The results of operations of the acquired properties have been and will be included in our financial statements from the date of acquisition of each property. These agreements and the status of each transaction are described as follows:

On May 27, September 21, and December 16, 1999, we announced definitive agreements to purchase from Verizon approximately 381,200 telephone access lines (as of December 31, 2000) in Arizona, California, Illinois/Wisconsin, Minnesota and Nebraska for approximately $1,171,000,000 in cash. These acquisitions are subject to various state and federal regulatory approvals. On June 30, 2000, we closed on the Nebraska purchase of approximately 62,200 telephone access lines for approximately $205,000,000 in cash. On August 31, 2000, we closed on the Minnesota purchase of approximately 142,400 telephone access lines for approximately $439,000,000 in cash. On November 30, 2000, we closed on the Illinois/Wisconsin purchase of approximately 112,900 telephone access lines for approximately $304,000,000 in cash. We expect that the remainder of the Verizon transactions will close on a state-by-state basis in the first half of 2001.

On June 16, 1999, we announced a series of definitive agreements to purchase from Qwest approximately 556,800 telephone access lines (as of December 31, 2000) in Arizona, Colorado, Idaho/Washington, Iowa, Minnesota, Montana, Nebraska, North Dakota and Wyoming for approximately $1,650,000,000 in cash and the assumption of certain liabilities. On October 31, 2000, we closed on the North Dakota purchase of approximately 17,000 telephone access lines for approximately $38,000,000 in cash. We expect that the remainder of the Qwest acquisitions, which are subject to various state and federal regulatory approvals, will occur on a state-by-state basis by the end of the first quarter of 2002.

On July 12, 2000, we announced a definitive agreement to purchase from Global 100% of the stock of Frontier Corp., which owns approximately 1,096,700 telephone access lines (as of December 31, 2000) in Alabama Florida, Georgia, Illinois, Indiana, Iowa, Michigan, Minnesota, Mississippi, New York, Pennsylvania and Wisconsin, for approximately $3,650,000,000 in cash. We expect that this transaction, which is subject to various state and federal regulatory approvals, will be completed in the second half of 2001.

We have and/or expect to temporarily fund these telephone access line purchases with cash and investment balances, proceeds from commercial paper issuances backed by the credit commitments, and borrowings under lines of credit, as described in Management's Discussion and Analysis of Financial Condition and Results of Operations (Liquidity and Capital Resource section) below. Permanent funding is expected to include, but not be limited to, cash and investment balances, the proceeds from the divestiture of our public services businesses, direct drawdowns from certain of the credit facilities and issuances of debt and equity securities, or other financing arrangements.

Divestitures

On August 24, 1999, our Board of Directors approved a plan of divestiture for our public services businesses, which include gas, electric and water and wastewater businesses. The proceeds from the sales of these public services businesses will be used to partially fund the telephone access line purchases discussed above.

Currently, we have agreements to sell all our water and wastewater operations, one of our electric operations and one of our natural gas operations. The proceeds from these agreements will include approximately $1,470,000,000 in cash plus the assumption of certain liabilities. These agreements and the status of each transaction are described as follows:

On October 18, 1999, we announced the agreement to sell our water and wastewater operations to American Water Works, Inc. for $745,000,000 in cash and $90,000,000 of assumed debt. This transaction is currently expected to close in the second half of 2001 following regulatory approvals.

On February 15, 2000, we announced that we had agreed to sell our electric utility operations. The Arizona and Vermont electric divisions were under contract to be sold to Cap Rock Energy Corp. (Cap Rock). Cap Rock has failed to raise the required financing and obtain the required regulatory approval necessary to meet its obligations under the contract for sale. The agreement with Cap Rock was terminated on March 7, 2001. It is our intention to pursue the disposition of the Vermont and Arizona electric divisions with alternative buyers. In August 2000, the HPUC denied the initial application requesting approval of the purchase of our Kauai electric division by the Kauai Island Electric Co-Op for $270,000,000 in cash including the assumption of certain liabilities. We are considering a variety of options, including the filing of a request for reconsideration of the decision, which may include the filing of a new application.

On April 13, 2000, we announced the agreement to sell our Louisiana Gas operations to Atmos Energy Corporation for $365,000,000 in cash plus the assumption of certain liabilities. This transaction is expected to close in the first half of 2001 following regulatory approvals.

General

Order backlog is not a significant consideration in our businesses and we have no contracts or subcontracts, which may be subject to renegotiations of profits or termination at the election of the Federal government. We hold franchises from local governmental bodies, which are of varying duration. We also hold Certificates granted by various state commissions, which are generally of indefinite duration. We have no special working capital practices, and our research and development activities are not material. We hold no patents, trademarks, licenses or concessions that are material. We had approximately 7,191 employees, of whom 6,840 were associated with continuing operations and 351 were associated with discontinued operations, at December 31, 2000. We consider our relations with our employees to be good.

d. Financial Information About Foreign and Domestic Operations and Export Sales

In 1995, we made an initial investment in and entered into definitive agreements with Hungarian Telephone and Cable Corp. (HTCC). The investment in HTCC had declined in value during 1998 and in the fourth quarter of 1998 management determined that the decline was other than temporary. As a result, we recognized a loss of $51,900,000 in the HTCC investment in Other income (loss), net in the 1998 statements of income and comprehensive income.

In May 1999, in connection with HTCC's debt restructuring, we cancelled a note obligation from HTCC and a seven-year consulting services agreement in exchange for the issuance by HTCC to us of 1,300,000 shares of HTCC Common Stock and 30,000 shares of HTCC's 5% convertible preferred stock. Each share of HTCC convertible preferred stock has a liquidation value of $70 and is convertible at our option into 10 shares of HTCC Common Stock.

At December 31, 2000, we own approximately 19% of the HTCC shares presently outstanding. Our investment in HTCC is classified as an available for sale security and accounted for using the cost method of accounting. Additionally, we have exercised our right to nominate one member of the Board of Directors of HTCC.

ITEM 2. PROPERTIES

We lease our Administrative Office located at 3 High Ridge Park, Stamford, CT 06905.

The operations support office for the ILEC is located in Legacy Park at 5600 Headquarters Drive, Plano, TX 75024. This owned facility accommodates approximately 1,100 employees in approximately 250,000 square feet. In addition, the ILEC has leased and owned office space in various markets throughout the United States.

The operations support office for ELI is located at 4400 NE 77th Avenue, Vancouver, WA 98662. This building is owned by ELI and accommodates approximately 700 employees in 98,000 square feet. In addition, ELI has leased local office space in various markets throughout the United States, and also maintains a warehouse facility in Portland, Oregon. ELI also leases network hub and network equipment installation sites in various locations throughout the areas in which ELI provides services.

The ILEC and ELI own property including, but not limited to: telecommunications outside plant, central office, fiber-optic and microwave radio facilities. (See description of business for listing of locations). We believe that substantially all of our existing properties are in good condition and are suitable for the conduct of our business.

ITEM 3. LEGAL PROCEEDINGS

In November 1995, our Vermont electric division was permitted an 8.5% rate increase. Subsequently, the Vermont Public Service Board (VPSB) called into question the level of rates awarded us in connection with its formal review of allegations made by the Department of Public Service (the DPS), the consumer advocate in Vermont and a former Citizens employee. The major issues in this proceeding involved classification of certain costs to property, plant and equipment accounts and our Demand Side Management program. In addition, the DPS believed that we should have sought and received regulatory approvals prior to construction of certain facilities in prior years. On June 16, 1997, the VPSB ordered us to reduce our rates for Vermont electric service by 14.65% retroactive to November 1, 1995 and to refund to customers, with interest, all amounts collected since that time in excess of the rates then authorized by the VPSB. In addition, the VPSB assessed statutory penalties totaling $60,000 and placed us on regulatory probation for a period of at least five years. During this probationary period, we could lose our franchise to operate in Vermont if we violate the terms of probation prescribed by the VPSB. The VPSB prescribed final terms of probation in its final order issued September 15, 1998. In October 1998, we filed an appeal in the Vermont Supreme Court challenging certain of the penalties imposed by the VPSB. On December 15, 2000, the Vermont Supreme Court denied our appeal and affirmed all penalties imposed by the VPSB.

In August 1997, a lawsuit was filed in the United States District Court for the District of Connecticut (Leventhal vs. Tow, et al.) against us and five of our then existing officers, one of whom is also a director, on behalf of all persons who purchased or otherwise acquired Series A and Series B shares of our Common Stock between September 5, 1996 and July 11, 1997, inclusive. On February 9, 1998, the plaintiffs filed an amended complaint. The complaint alleged that we and the individual defendants, during such period, violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 based upon certain public statements made by us, which are alleged to be materially false or misleading, or are alleged to have failed to disclose information necessary to make the statements made not false or misleading. The plaintiffs sought to recover unspecified compensatory damages. We and the individual defendants believe the allegations are unfounded and filed a motion to dismiss on March 27, 1998 and on March 30, 1999 the Court dismissed the action. On April 29, 1999 the plaintiffs filed a notice of appeal with the Court of Appeals for the Second Circuit. The parties have entered into a settlement stipulation, which was approved by the District Court on January 31, 2001. Under the terms of the settlement, we have agreed, without any admission of guilt or responsibility, to pay $2.5 million to injured class members in full and final settlement of all claims. The entire amount of the settlement is covered by one or more of our insurance policies.

In March 1998, a lawsuit was filed in the United States District Court for the District of Connecticut (Ganino vs. Citizens Utilities Company, et al.), against us and three of our then existing officers, one of whom is also a director, on behalf of all purchasers of our Common Stock between May 6, 1996 and August 7, 1997, inclusive. The complaint alleges that we and the individual defendants, during such period, violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 by making materially false and misleading public statements concerning our relationship with a purported affiliate, Hungarian Telephone and Cable Corp. (HTCC), and by failing to disclose material information necessary to render prior statements not misleading. The plaintiff seeks to recover unspecified compensatory damages. We and the individual defendants believe that the allegations are unfounded and filed a motion to dismiss. The plaintiff requested leave to file an amended complaint and an amended complaint was served on us on July 24, 1998. Our motion to dismiss the amended complaint was filed on October 13, 1998 and the Court dismissed the action with prejudice on June 28, 1999. The plaintiffs filed a notice of appeal with the Court of Appeals for the Second Circuit, briefing has been completed and oral argument took place April 10, 2000. The parties have entered into a settlement stipulation, which is subject to the District Court's approval. Under the terms of the proposed settlement, we have agreed, without any admission of guilt or responsibility, to pay $2.5 million to injured class members in full and final settlement of all claims. The entire amount of the proposed settlement is covered by one or more of our insurance policies.

In November 1998, a class action lawsuit was filed in state District Court for Jefferson Parish, Louisiana, against our subsidiary, LGS Natural Gas Company, and us. The lawsuit alleged that we and the other named defendants passed through in rates charged to Louisiana customers certain costs that plaintiffs contend were unlawful. The lawsuit sought compensatory damages in the amount of the alleged overcharges and punitive damages equal to three times the amount of any compensatory damages, as allowed under Louisiana law. In addition, the Louisiana Public Service Commission had opened an investigation into the allegations raised in the lawsuit. Without admitting any wrongdoing, we agreed to refund customers a total of $27 million, which represents amounts collected through our purchase gas adjustment clause, including interest for the period 1992-1997. In addition, we agreed to pay attorneys' fees to counsel representing the class action plaintiffs in both the lawsuit and the Commission investigation. The Louisiana Public Service Commission approved an agreement to settle both the Commission investigation and the class action lawsuit and concluded its investigation by order dated December 13, 2000. The District Court approved the settlement agreement and enrered its order dismissing the class action on January 4, 2001.

In addition, we are party to other proceedings arising in the normal course of business. The outcome of individual matters is not predictable. However, we believe that the ultimate resolution of all such matters, including those discussed above, after considering insurance coverage, will not have a material adverse effect on our financial position, results of operations, or our cash flows.

ITEM 4. SUBMISSION OF MATTERS TO VOTE OF SECURITY HOLDERS

None in fourth quarter 2000.

Executive Officers

Information as to Executive Officers of the Company as of March 1, 2001 follows:

Name	Age	Current Position and Office
Leonard Tow	72	Chairman of the Board and Chief Executive Officer
Rudy J. Graf	52	Vice Chairman of the Board, President and Chief Operating Officer, and Director
Scott N. Schneider	43	Vice Chairman of the Board, Executive Vice President, Chairman of Citizens Capital Ventures and Director
Donald B. Armour	53	Vice President, Finance and Treasurer
Robert Braden	55	Vice President and Chief Operating Officer, Electric Lightwave Sector
John H. Casey, III	44	Vice President and Chief Operating Officer, ILEC Sector
Michael G. Harris	54	Vice President, Engineering and New Technology
Edward O. Kipperman	49	Vice President, Tax
Robert J. Larson	41	Vice President and Chief Accounting Officer
L. Russell Mitten	49	Vice President, General Counsel and Secretary
Richard Reice	41	Vice President, Human Resources, Labor and Employment Law
Livingston E. Ross	52	Vice President, Reporting and Audit
Steven D. Ward	34	Vice President, Information Technology
Michael Zarella	41	Vice President, Corporate Development

There is no family relationship between any of the officers of Citizens. The term of office of each of the foregoing officers of Citizens will continue until the next annual meeting of the Board of Directors and until a successor has been elected and qualified.

LEONARD TOW has been associated with Citizens since April 1989 as a Director. In June 1990, he was elected Chairman of the Board and Chief Executive Officer. He was also Chief Financial Officer from October 1991 through November 1997. He was a Director and Chief Executive Officer of Century Communications Corp. from its incorporation in 1973 and Chairman of its Board of Directors from October 1989 until October 1999. He is Director of Hungarian Telephone and Cable Corp., Chairman of the Board of Electric Lightwave, Inc. and is a Director of the United States Telephone Association.

RUDY J. GRAF has been associated with Citizens since September 1999. In February 2001, he was elected Vice Chairman of the Board. In July 2000, he was elected Director of Citizens. He is currently Vice Chairman of the Board, Director, President and Chief Operating Officer of Citizens. He is also Director and Chief Executive Officer of Electric Lightwave, Inc. Prior to joining Citizens, he was Director, President and Chief Operating Officer of Centennial Cellular Corp. and Chief Executive Officer of Centennial DE Puerto Rico from November 1990 to August 1999.

SCOTT N. SCHNEIDER has been associated with Citizens since October 1999. In February 2001, he was elected Vice Chairman of the Board. In July 2000, he was elected Director of Citizens. He is currently Vice Chairman of the Board, Director and Executive Vice President of Citizens and Chairman of Citizens Capital Ventures, a wholly owned subsidiary of Citizens. He is currently Director and Executive Vice President of Electric Lightwave, Inc. Prior to joining Citizens, he was Director (from October 1994 to October 1999), Chief Financial Officer (from December 1996 to October 1999), Senior Vice President and Treasurer (from June 1991 to October 1999) of Century Communications Corp. He also served as Director, Chief Financial Officer, Senior Vice President and Treasurer of Centennial Cellular from August 1991 to October 1999.

DONALD ARMOUR has been associated with Citizens since October 2000. He is currently Vice President, Finance and Treasurer. He also currently serves as Vice President and Treasurer of Electric Lightwave, Inc. Prior to joining Citizens, he was the Treasurer of the cable television division of Time Warner Inc. from January 1994 to September 2000. He was also Assistant Treasurer from August 1992 to January 1994. From August 1991 to March 1992, he was a consultant to the health care industry.

ROBERT BRADEN has been associated with Citizens since November 1999. In January 2001, he was elected President, Chief Operating Officer and Director of Electric Lightwave, Inc. He was also Vice President Business Development of Citizens from February 2000 to January 2001. Prior to joining Citizens, he was Vice President, Business Development at Century Communications Corp. from January 1999 to October 1999. He was Senior Vice President, Business Development at Centennial Cellular Corp. from June 1996 to January 1999 and held other officer positions with Centennial since November 1993.

JOHN H. CASEY, III has been associated with Citizens since November 1999. He is currently Vice President of Citizens and Chief Operating Officer of the ILEC Sector. Prior to joining Citizens, he was Vice President, Operations from January 1995 to January 1997 and then Senior Vice President, Administration of Centennial Cellular until November 1999.

MICHAEL G. HARRIS has been associated with Citizens since December 1999. He is currently Vice President, Engineering and New Technology. Prior to joining Citizens, he was Senior Vice President, Engineering of Centennial Cellular from August 1991 to December 1999. He was also Senior Vice President, Engineering of Century Communications Corp. from June 1991 to October 1999.

EDWARD O. KIPPERMAN has been associated with Citizens since February 1985. He is currently Vice President, Tax. He was Assistant Treasurer from June 1989 to September 1991.

ROBERT J. LARSON has been associated with Citizens since July 2000. He is currently Vice President and Chief Accounting Officer of Citizens and of Electric Lightwave, Inc. Prior to joining Citizens, he was Vice President and Controller of Century Communications Corp. from October 1994 to October 1999. He was also Vice President, Accounting and Administration of Centennial Cellular from March 1995 to October 1999.

L. RUSSELL MITTEN has been associated with Citizens since June 1990. He is currently Vice President, General Counsel and Secretary. He was Vice President, General Counsel and Assistant Secretary from June 1991 to September 2000. He was General Counsel until June 1991.

RICHARD REICE was elected Citizens Vice President, Human Resources, Labor and Employment Law in June 2000. Previously, he had been a shareholder in the law firm of Greenberg Traurig in its New York City office since June 1999. Prior to joining Greenberg Traurig, he worked for Citizens as the Associate General Counsel for Labor and Employment Law.

LIVINGSTON E. ROSS has been associated with Citizens since August 1977. He is currently Vice President, Reporting and Audit. He was Vice President and Chief Accounting Officer from December 1999 to July 2000 and Vice President and Controller from December 1991 to December 1999.

STEVEN D. WARD has been associated with Citizens since January 2000 and was elected Vice President, Information Technology in February 2000. Prior to joining Citizens, he was Vice President, Information Systems for Century Communications Corp. from June 1996 to December 1999 and Director, Information Services from March 1991 to June 1996.

MICHAEL ZARELLA has been associated with Citizens since December 1999. He was elected Vice President, Corporate Development in October 2000. Prior to joining Citizens, he was Group Vice President of Finance for Century Communications Corp. from June 1996 to December 1999 and Director, Financial Analysis from October 1990 to June 1996.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Price Range of Common Stock

Our Common Stock is traded on the New York Stock Exchange under the symbol CZN. The following table indicates the high and low prices per share as taken from the daily quotations published in *The Wall Street Journal* during the periods indicated.

	2000		1999	
	High	*Low*	*High*	*Low*
First quarter	$17.06	$13.75	$ 8.50	$ 7.25
Second quarter	$18.00	$14.31	$11.50	$ 7.69
Third quarter	$19.00	$13.00	$12.44	$10.88
Fourth quarter	$15.31	$12.50	$14.31	$10.94

As of February 28, 2001, the approximate number of record security holders of our Common Stock was 57,753. This information was obtained from our transfer agent.

Dividends

The amount and timing of dividends payable on Common Stock are within the sole discretion of our Board of Directors. Our Board of Directors discontinued the payment of dividends after the payment of the December 1998 stock dividend.

Recent Sales of Unregistered Securities, Use of Proceeds From Registered Securities

None

ITEM 6. SELECTED FINANCIAL DATA

	Year Ended December 31,				
	2000	*1999*	*1998*	*1997*	*1996*
	($ in thousands, except per share amounts)				
Revenue(1)	$1,802,358	$1,598,236	$1,448,588	$1,303,901	$1,218,222
Income (loss) from continuing operations before cumulative effect of change in accounting principle	$ (40,071)	$ 136,599	$ 46,444	$ 2,066	$ 160,483
Net income (loss)	$ (28,394)	$ 144,486	$ 57,060	$ 10,100	$ 178,660
Basic income (loss) per share of Common Stock from continuing operations before cumulative effect of change in accounting principle	$ (0.15)	$ 0.52	$ 0.18	$ 0.01	$ 0.61
Basic net income (loss) per common share(2)	$ (0.11)	$ 0.55	$ 0.22	$ 0.04	$ 0.68
Stock dividends declared on Common Stock(3)	—	—	3.03%	5.30%	6.56%

	As of December 31,				
	2000	*1999*	*1998*	*1997*	*1996*
Total assets	$6,955,006	$5,771,745	$5,292,932	$4,872,852	$4,523,148
Long-term debt	$3,062,289	$2,107,460	$1,819,555	$1,627,388	$1,454,421
Shareholders' equity	$1,720,001	$1,919,935	$1,792,771	$1,679,211	$1,678,183

(1) Represents revenue from continuing operations.

(2) 1997 and 1996 are adjusted for subsequent stock dividends.

(3) Compounded annual rate of quarterly stock dividends.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This annual report on Form 10-K contains forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied in the statements. Statements that are not historical facts are forward-looking statements made pursuant to the Safe Harbor Provisions of the Litigation Reform Act of 1995. In addition, words such as "believes", "anticipates", "expects" and similar expressions are intended to identify "forward-looking statements". Forward-looking statements (including oral representations) are only predictions or statements of current plans, which we review continuously. Forward-looking statements may differ from actual future results due to, but not limited to, any of the following possibilities:

- Our ability to timely consummate our pending acquisitions and effectively manage our growth including, but not limited to, the integration of newly acquired operations into our operations and otherwise monitor our operations, costs, regulatory compliance and service quality;
- Our ability to divest our public services businesses;
- Our ability to successfully introduce new product offerings on a timely and cost effective basis including, but not limited to, our ability to offer bundled service packages on terms attractive to our customers and our ability to offer second lines and enhanced services to markets currently under-penetrated;
- Our ability to expand through attractively priced acquisitions;
- Our ability to identify future markets and successfully expand existing ones;
- Our ability to obtain new financing on favorable terms;
- The effects of greater than anticipated competition requiring new pricing, marketing strategies or new product offerings and the risk that we will not respond on a timely or profitable basis;
- ELI's ability to complete a public or private financing that would provide the funds necessary to finance its cash requirements;
- The effects of rapid technological changes including, but not limited to, the lack of assurance that our ongoing network improvements will be sufficient to meet or exceed the capabilities and quality of competing networks;
- The effects of changes in regulation in the telecommunications industry as a result of the 1996 Act and other similar federal and state legislation and regulation;
- The future applicability of Statement of Financial Accounting Standard No. 71, "Accounting for Certain Types of Regulation" to certain of our ILEC subsidiaries;
- The effects of more general factors including, but not limited to, changes in economic conditions; changes in the capital markets; changes in industry conditions; changes in our credit rating; and changes in accounting policies or practices adopted voluntarily or as required by generally accepted accounting principles.

You should consider these important factors in evaluating any statement in this Form 10-K or otherwise made by us or on our behalf. The following information should be read in conjunction with the consolidated financial statements and related notes included in this report. We have no obligation to update or revise these forward-looking statements.

LIQUIDITY AND CAPITAL RESOURCES

For the year ended December 31, 2000, we used cash flow from operations and proceeds from net financings to fund capital expenditures and acquisitions.

We have available lines of credit with financial institutions in the amounts of $5.7 billion, with associated facility fees of 0.10% per annum and $450 million with no associated facility fees. These lines of credit expire on October 26, 2001 and provide us with one-year term-out options. These credit facilities are in addition to credit commitments under which we may borrow up to $200 million, with associated facility fees of 0.12% per annum, which expire on December 16, 2003. As of December 31, 2000, there was $765 million outstanding under the $5.7 billion credit facility, as well as $109 million in commercial paper backed by the $5.7 billion credit facility. We intend to raise capital through public or private debt or equity financings, or other financing arrangements to replace a portion of this indebtedness.

ELI has $400 million of committed revolving lines of credit with commercial banks, which expire November 21, 2002, under which it has borrowed $400 million at December 31, 2000. The ELI credit facility has an associated facility fee of 0.08% per annum. We have guaranteed all of ELI's obligations under these revolving lines of credit.

We have committed to continue to finance ELI's cash requirements until the earlier of the completion of a public or private financing which would provide the funds necessary to support their cash requirements. We extended a revolving credit facility to ELI for $450 million with an interest rate of 15% and a final maturity of October 30, 2005. Funds of $260 million for general corporate purposes are available to be drawn until March 31, 2002. The remaining balance may be drawn by ELI to pay interest expense due under the facility. In 2000, we advanced $38 million to ELI.

In June, August and November 2000, we completed the purchase of approximately 62,200, 142,400 and 112,900 telephone access lines (as of December 31, 2000) in Nebraska, Minnesota, and Illinois/Wisconsin, respectively, from Verizon. These transactions totaled approximately $205 million, $439 million and $304 million, respectively, and were funded from direct drawdowns on our credit line, commercial paper issuances and proceeds from sales of investments.

In October 2000, we completed the purchase of approximately 17,000 telephone access lines (as of December 31, 2000) in North Dakota from Qwest. This transaction totaled approximately $38 million and was funded from commercial paper issuances.

In June 2000, we arranged for the issuance of $19.6 million of 2000 Series special purpose revenue bonds as money market bonds with an initial interest rate of 4.6% and a maturity date of December 1, 2020. The proceeds were used to fund and/or pre-fund expenditures for construction, extension, improvement and purchase of facilities of the gas division in Hawaii.

In August and October 2000, one of our subsidiaries, Citizens Utilities Rural Company, was advanced $.3 million and $2.7 million, respectively, under its Rural Utilities Services Loan Contract. The initial interest rate on the advances was 5.78% with an ultimate maturity date of November 1, 2016.

At December 31, 2000, we have classified $150 million of debentures as long term debt due within one year on our balance sheet. Of this amount, $50 million will mature on September 1, 2001 and $100 million is redeemable at par at the option of the holders on October 1, 2001.

We have budgeted approximately $750 million for our 2001 capital projects, including approximately $654 million for ILEC and ELI and approximately $96 million for public services. We anticipate that the funds necessary for our 2001 capital expenditures will be provided from operations and from advances of Rural Utilities Service loan contracts. If required, we may use funding from additional sources: commercial paper notes payable, debt, equity and other financing at appropriate times and borrowings under bank credit facilities. Capital expenditures for discontinued operations and assets held for sale will also be funded through requisitions of Industrial Development Revenue Bond construction fund trust accounts and from parties desiring utility service. Upon disposition, we will receive reimbursement of certain 1999 and 2000 actual capital expenditures and certain 2001 budgeted capital expenditures pursuant to the terms of each respective sales agreement.

Acquisitions

From May 27, 1999 through July 12, 2000 we entered into several agreements to acquire approximately 2,034,700 telephone access lines (as of December 31, 2000) for approximately $6,471,000,000 in cash. These transactions have been and will be accounted for using the purchase method of accounting. The results of operations of the acquired properties have been and will be included in our financial statements from the dates of acquisition of each property. These agreements and the status of each transaction are described as follows:

On May 27, September 21, and December 16, 1999, we announced definitive agreements to purchase from Verizon approximately 381,200 telephone access lines (as of December 31, 2000) in Arizona, California, Illinois/Wisconsin, Minnesota and Nebraska for approximately $1,171,000,000 in cash. These acquisitions are subject to various state and federal regulatory approvals. On June 30, 2000, we closed on the Nebraska purchase of approximately 62,200 telephone access lines for approximately $205,000,000 in cash. On August 31, 2000, we closed on the Minnesota purchase of approximately 142,400 telephone access lines for approximately $439,000,000 in cash. On

November 30, 2000, we closed on the Illinois/Wisconsin purchase of approximately 112,900 telephone access lines for approximately $304,000,000 in cash. We expect that the remainder of the Verizon transactions will close on a state-by-state basis in the first half of 2001.

On June 16, 1999, we announced a series of definitive agreements to purchase from Qwest approximately 556,800 telephone access lines (as of December 31, 2000) in Arizona, Colorado, Idaho/Washington, Iowa, Minnesota, Montana, Nebraska, North Dakota and Wyoming for approximately $1,650,000,000 in cash and the assumption of certain liabilities. On October 31, 2000, we closed on the North Dakota purchase of approximately 17,000 telephone access lines for approximately $38,000,000 in cash. We expect that the remainder of the Qwest acquisitions, which are subject to various state and federal regulatory approvals, will occur on a state-by-state basis by the end of the first quarter of 2002.

On July 12, 2000, we announced a definitive agreement to purchase from Global 100% of the stock of Frontier Corp., which owns approximately 1,096,700 telephone access lines (as of December 31, 2000) in Alabama/Florida, Georgia, Illinois, Indiana, Iowa, Michigan, Minnesota, Mississippi, New York, Pennsylvania and Wisconsin, for approximately $3,650,000,000 in cash. We expect that this transaction, which is subject to various state and federal regulatory approvals, will be completed in the second half of 2001.

We have and/or expect to temporarily fund these telephone access line purchases with cash and investment balances, proceeds from commercial paper issuances, backed by the credit commitments, and borrowings under lines of credit, as described in the Liquidity and Capital Resource section above. Permanent funding is expected to include, but not be limited to, cash and investment balances, the proceeds from the divestiture of our public services businesses, direct drawdowns from certain of the credit facilities and issuances of debt and equity securities, or other financing arrangements.

Divestitures

On August 24, 1999, our Board of Directors approved a plan of divestiture for our public services businesses, which include gas, electric and water and wastewater businesses. The proceeds from the sales of these public services businesses will be used to partially fund the telephone access line purchases discussed above.

Currently, we have agreements to sell all our water and wastewater operations, one of our electric operations and one of our natural gas operations. The proceeds from these agreements will include approximately $1,470,000,000 in cash plus the assumption of certain liabilities. These agreements and the status of each transaction are described as follows:

On October 18, 1999, we announced the agreement to sell our water and wastewater operations to American Water Works, Inc. for $745,000,000 in cash and $90,000,000 of assumed debt. These transactions are currently expected to close in the second half of 2001 following regulatory approvals.

On February 15, 2000, we announced that we had agreed to sell our electric utility operations. The Arizona and Vermont electric divisions were under contract to be sold to Cap Rock Energy Corp. (Cap Rock). Cap Rock has failed to raise the required financing and obtain the required regulatory approval necessary to meet its obligations under the contract for sale. The agreement with Cap Rock was terminated on March 7, 2001. It is our intention to pursue the disposition of the Vermont and Arizona electric divisions with alternative buyers. In August 2000, the HPUC denied the initial application requesting approval of the purchase of our Kauai electric division by the Kauai Island Electric Co-Op for $270,000,000 in cash including the assumption of certain liabilities. We are considering a variety of options, including filing a request for reconsideration of the decision, which may include filing a new application.

On April 13, 2000, we announced the agreement to sell our Louisiana Gas operations to Atmos Energy Corporation for $365,000,000 in cash plus the assumption of certain liabilities. This transaction is expected to close in the first half of 2001 following regulatory approvals.

Discontinued operations in the consolidated statements of income (loss) and comprehensive income (loss) reflect the results of operations of the water and wastewater properties including allocated interest expense for the periods presented. Interest expense was allocated to the discontinued operations based on the outstanding debt specifically identified with these businesses. The long-term debt presented in liabilities of discontinued operations represents the only liability to be assumed by the buyer pursuant to the water and wastewater asset sale agreements.

In 1999, we initially accounted for the planned divestiture of all the public services properties as discontinued operations. As of December 31, 2000, we do not have agreements to sell our entire gas and electric segments. Consequently, in the third and fourth quarters of 2000, we reclassified all of our gas and electric assets and their related liabilities to "assets held for sale" and "liabilities related to assets held for sale", respectively, we also reclassified the results of these operations into their original income statement captions as part of continuing operations and reclassified the 1999 balance sheet to conform to the current presentation. Additionally, because both our gas and electric operations are expected to be sold at a profit, we ceased to record depreciation expense on the gas assets effective October 1, 2000 and on the electric assets effective January 1, 2001. We are continuing to actively pursue buyers for our remaining gas and electric businesses.

Share Purchase Program

In December 1999, our Board of Directors authorized the purchase of up to $100,000,000 worth of shares of our common stock. This share purchase program was completed in early April 2000 and resulted in the acquisition or contract to acquire approximately 6,165,000 shares of our common stock. Of those shares, 2,500,000 shares were purchased for approximately $40,959,000 in cash and we entered into equity forward contracts for the acquisition of the remaining 3,665,000 shares.

In April 2000, our Board of Directors authorized the purchase of up to an additional $100,000,000 worth of shares of our common stock. This share purchase program was completed in July 2000 and resulted in the acquisition or contract to acquire approximately 5,927,000 shares of our common stock. Of these shares, 452,000 shares were purchased for approximately $8,250,000 in cash and we entered into equity forward contracts for the acquisition of the remaining 5,475,000 shares.

In addition to our share purchase programs described above, in April 2000, our Board of Directors authorized the purchase of up to $25,000,000 worth of shares of Class A common stock of ELI, our 85% owned subsidiary, on the open market or in negotiated transactions. This ELI share purchase program was completed in August 2000 and resulted in the acquisition of approximately 1,288,000 shares of ELI common stock for approximately $25,000,000 in cash. In August 2000, our Board of Directors authorized the purchase of up to an additional 1,000,000 shares of ELI on the open market or in negotiated transactions. The second ELI share purchase program was completed in September 2000 and resulted in the acquisition of approximately 1,000,000 shares of ELI common stock for approximately $13,748,000 in cash.

Regulatory Environment

On October 19, 1999, we entered into an agreement with the Staff and Consumer Advocate Division of the West Virginia Public Service Commission to continue our incentive regulation plan through 2002. Under this agreement, we agreed to reduce access rates beginning July 1, 2000 and other service rates beginning February 28, 2000 by a total of $2.9 million annually. In return, we will be free of earnings regulation for three years, commencing January 1, 2000, and have some pricing flexibility for non-basic services.

During the past year the decrease in the availability of power in certain areas of the country has caused power supply costs to increase substantially, forcing companies to pay higher operating costs to operate their electric businesses. As a result, companies have attempted to offset these increased costs by either renegotiating prices with their power suppliers or passing these additional costs on to their customers through a rate proceeding. In Arizona, we are currently disputing excessive power costs charged by our power supplier in the amount of approximately $57 million through December 31, 2000. We are allowed to recover these charges from ratepayers through the Purchase Power Fuel Adjustment clause. In an attempt to limit "rate shock" to our customers, we have requested that this deferred amount, plus interest, be recovered over a three-year period. As a result, we have deferred these costs on the balance sheet in anticipation of recovering certain amounts either through renegotiations or through the regulatory process.

In the fourth quarter of 2000, we settled a proceeding with the Louisiana Public Service Commission. As a result, our Louisiana Gas Service subsidiary refunded approximately $27 million to ratepayers during the month of January 2001. The refund was effected as a credit on customers' bills. The entire refund represents amounts that had been collected by us through our purchase adjustment clause, plus interest, for the period 1992 - 1997 and was recorded by us in the fourth quarter of 2000 as a reduction to revenue. Related legal fees of approximately $2.7 million were also recorded in that period. The Louisiana Gas Service business is to be sold to Atmos Energy Co. and the sale is expected to close in the first half of 2001 following regulatory approval.

For interstate services regulated by the FCC, we have elected a form of incentive regulation known as price caps. Under price caps, interstate access rates are capped and adjusted annually by the difference between the level of inflation and a productivity factor. Most recently the productivity factor was set at 6.5%. Given the relatively low inflation rate in recent years, interstate access rates have been adjusted downward annually. In May 2000, the FCC adopted a revised methodology for regulating the interstate access rates of price cap companies for the next five years. The new program, known as the CALLs plan, establishes a price floor for interstate-switched access services and phases out many of the subsidies in interstate access rates. Though end-user charges and an expanded universal service program will continue to benefit rural service providers such as our ILEC, they will also offset much of the reduction in interstate access rates. Annual adjustments based on the difference between inflation and the 6.5% productivity factor will continue for several years until the price floor for interstate switched access services is reached.

Certain of our ILEC operations and all of our public services operations are subject to the provisions of Statement of Financial Accounting Standards (SFAS) No. 71, "Accounting for the Effects of Certain Types of Regulation". For these entities, the actions of a regulator can provide reasonable assurance of the existence of an asset or impose a regulatory liability. These regulatory assets and liabilities are required to be reflected in the balance sheet in anticipation of future recovery through the ratemaking process.

Our consolidated balance sheet as of December 31, 2000 included regulatory assets of approximately $62.0 million and regulatory liabilities of approximately $4.1 million associated with our local exchange telephone operations. The remainder of the regulatory assets and regulatory liabilities on the balance sheet are associated with assets and liabilities held for sale and discontinued operations. In addition, property, plant and equipment for the properties subject to SFAS 71 have been depreciated using the straight-line method over plant lives approved by regulators. Such depreciable lives may exceed the lives that would have been used if we did not operate in a regulated environment.

SFAS No. 101 "Regulated Enterprises Accounting for the Discontinuance of Application of SFAS No. 71" specifies the accounting required when the regulated operations of an enterprise are no longer expected to meet the provisions of SFAS 71 in the future due to changes in regulations, competition and the operations of regulated entities. SFAS 101 would require the write-off of a portion of our regulatory assets and liabilities as a net non-cash charge or credit to income, if it were determined that the conditions requiring the use of SFAS 71 no longer apply in the future. SFAS 101 further provides that the carrying amount of property, plant and equipment would be adjusted to reflect the use of shorter depreciation lives only to the extent that the net book value of these assets are impaired.

The ongoing applicability of SFAS 71 to our regulated telephone operations is continually monitored due to the changing regulatory, competitive and legislative environment and the changes that may occur in our future operations as we acquire and consolidate our local exchange telephone operations. It is possible that future environmental changes, or changes in the demand for our products and services could result in our telephone operations no longer being subject to the provisions of SFAS 71. If discontinuation of SFAS 71 becomes appropriate, the accounting may result in a material non-cash effect on our results of operations and financial position that can not be estimated at this time.

New Accounting Pronouncements

In September 2000, the Emerging Issues Task Force (EITF) issued EITF Issue 00-19, "Determination of Whether Share Settlement Is within the Control of the Issuer for Purposes of Applying Issue No. 96-13, Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock." The EITF clarifies when financial instruments that are indexed to or potentially settled in a company's own stock are to be classified as an asset or liability and when they are to be classified as equity or temporary equity. The EITF allows for a transition period for contracts existing at the date of the consensus and remaining outstanding at June 30, 2001 in order to allow time for contracts to be modified in order for a company to continue to account for certain contracts as equity after June 30, 2001.

The equity forward contracts do not meet the requirements for presentation within the stockholders' equity section at December 31, 2000. As a result, they have been reflected as a reduction of Stockholders' equity and a component of temporary equity for the gross settlement amount of the contracts. Current accounting rules permit a transition period until June 30, 2001 to amend the contracts to comply with the requirements for permanent equity presentation. If an agreement with the counterparty to the contracts can be reached by June 30, 2001, the current impact of the classification to temporary equity will be reversed and the gross settlement amount will again be presented in permanent equity with no adjustment until final settlement. If an agreement with the counterparty cannot be reached by June 30, 2001, not only will the current impact be reversed as noted above, but we will be required to record the change in fair value of the equity forward from inception to that date as an asset or a liability with the offset recorded as a cumulative effect of change in accounting principle with future changes to the fair value recorded in earnings.

If we were required to apply the guidance required at June 30, 2001, in the accompanying financial statements based on the fair value of the contracts as of December 31, 2000, it would have reflected a charge as a cumulative effect of a change in accounting principle and an offsetting liability of approximately $30 million.

In June 1998, the Financial Accounting Standards Board (FASB) issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement establishes accounting and reporting standards for derivative instruments and hedging activities and, as amended, is effective for all fiscal quarters of fiscal years beginning after June 15, 2000. The statement requires balance sheet recognition of derivatives as assets or liabilities measured at fair value. Accounting for gains and losses resulting from changes in the values of derivatives is dependent on the use of the derivative and whether it qualifies for hedge accounting. The adoption of SFAS 133 could increase the volatility of reported earnings and other comprehensive income in the future. In general, the amount of volatility will vary with the level of derivative activities during any period. As of January 1, 2001, we have adopted SFAS 133 and have not identified any derivative instruments subject to the provisions of SFAS 133. Therefore, SFAS 133 will not have any impact on our 2001 financial statements upon adoption.

Results of Operations

REVENUE

Consolidated revenue increased $204.1 million, or 13%, in 2000 and $149.6 million, or 10%, in 1999. The increase in 2000 was primarily due to the pass-through to customers of the increased cost of gas, electric energy and fuel oil purchased as well as ILEC acquisitions and increased ELI revenue. The increase in 1999 was primarily due to increased ILEC network access services revenue and ELI revenue.

ILEC Revenue

	2000		1999		1998
	Amount	*% Change*	*Amount*	*% Change*	*Amount*
			($ in thousands)		
Network access services	$513,431	2%	$503,634	17%	$432,018
Local network services	314,343	14%	276,468	4%	266,558
Long distance and data services	83,703	9%	76,495	(21)%	96,584
Directory services	32,266	15%	27,939	4%	26,934
Other	62,626	(3)%	64,732	43%	45,352
Eliminations[1]	(42,626)	(7)%	(46,031)	42%	(32,407)
	$963,743	7%	$903,237	8%	$835,039

(1) Eliminations represent network access revenue received by our local exchange operations from our long distance operations.

We acquired the Verizon Nebraska access lines on June 30, 2000, the Verizon Minnesota access lines on August 31, 2000, the Qwest North Dakota access lines on October 31, 2000 and the Verizon Illinois/Wisconsin access lines on November 30, 2000 (collectively referred to as the Acquisitions). These Acquisitions contributed $49.5 million of revenue in 2000.

Network access services revenue increased $9.8 million, or 2%, in 2000 primarily due to the $23.9 million impact of the Acquisitions and $15.4 million related to growth in minutes of use and special access revenue. These increases were partially offset by a non-recurring $10.4 million interstate universal service fund (USF) settlement received in the first quarter of 1999, the effect of CALLS (see Regulatory Environment) of $14.8 million, settlements with long distance carriers of $2.3 million in 1999, and the price effect of a July 1999 FCC tariff adjustment of $1.8 million. Network access services revenue increased $71.6 million, or 17%, in 1999, primarily due to increased minutes of use, increased special access revenue, a non-recurring $10.4 million interstate USF settlement and a full year of revenue from the acquisition of Rhinelander Telecommunications, Inc. (RTI) in November 1998.

Local network services revenue increased $37.9 million, or 14%, in 2000. The Acquisitions contributed $23.8 million, enhanced services increased $6.3 million due to increased demand for these services, access line growth of 26,000 contributed $5.0 million and frame relay, data and ISDN increased $4.0 million. These increases were partially offset by an Extended Area Service revenue phase-out in New York of $3.1 million. Local network services revenue increased $9.9 million, or 4%, in 1999 primarily due to business and residential access line growth, increased custom calling features and private line sales and the acquisition of RTI.

Long distance and data services revenue increased $7.2 million, or 9%, in 2000 primarily due to increased Internet revenue of $4.0 million and increased remote call forwarding of $2.7 million. Long distance and data services revenue decreased $20.1 million, or 21%, in 1999 primarily due to the elimination of long distance product offerings to out-of-territory customers, partially offset by increased long distance minutes of use by in-territory customers.

Directory services revenue increased $4.3 million, or 15%, in 2000 primarily due to increased directory advertising and listing sales. The Acquisitions contributed $1.0 million to the increase in 2000. Directory services revenue increased $1.0 million, or 4%, in 1999 primarily due to the acquisition of RTI and increased advertising revenue.

Other revenue decreased $2.1 million, or 3%, in 2000 resulting from a decrease in billing and collections revenue of $6.4 million and an increase in the reserve for uncollectibles. These decreases were partially offset by increased revenue from the Acquisitions of $0.8 million, an increase of $2.8 million in conference call revenue and an increase of $0.3 million in cable revenue. Other revenue increased $19.4 million, or 43%, in 1999 primarily due to increased billing and collections revenue, partially offset by the phasing out of certain surcharges resulting from rate case decisions in California and New York.

ELI Revenue

	2000		1999		1998
	Amount	*% Change*	*Amount*	*% Change*	*Amount*
			($ in thousands)		
Network services	$ 77,437	45%	$ 53,249	46%	$ 36,589
Local telephone services	98,643	27%	77,591	103%	38,169
Long distance services	16,318	(39)%	26,698	117%	12,309
Data services	51,579	75%	29,470	113%	13,813
	243,977	30%	187,008	85%	100,880
Intersegment revenue[1]	(3,185)	13%	(2,817)	(8)%	(3,061)
	$240,792	31%	$184,191	88%	$ 97,819

(1) Intersegment revenue reflects revenue received by ELI from our ILEC operations.

Network services revenue increased $24.2 million, or 45%, in 2000 primarily due to continued growth in our network and sales of additional high bandwidth, DS-3 and OC level circuits to new and existing customers. Network services revenue increased $16.7 million, or 46%, in 1999 primarily due to the expansion of our network and the sale of additional circuits to new and existing customers.

Local telephone services revenue increased $21.0 million, or 27%, in 2000 and $39.4 million, or 103%, in 1999. Local telephone services include dial tone, ISDN PRI, Carrier Access Billings and reciprocal compensation.

- ISDN PRI revenue increased $11.5 million, or 52%, in 2000 and $12.7 million, or 135%, in 1999. Dial tone revenue increased $5.6 million, or 41%, in 2000 and $6.9 million, or 101%, in 1999. Increases in revenue for both ISDN PRI and dial tone is the result of an increase in the average access line equivalents of 64,206, or 46%, in 2000 and 86,631, or 115%, in 1999.

- Carrier Access Billings revenue decreased $0.3 million, or 4% in 2000 and increased $3.7 million, or 113%, in 1999. The change is due to an increase in average monthly minutes processed of 15.0 million, or 77%, in 2000 and 11.2 million, or 133%, in 1999. For 2000, the increase in minutes processed were offset by the effects of lower average rates per minute primarily due to competitive pressures in the markets in which we operate. For 1999, the increase in minutes processed was only partially offset by lower average rates per minute due to competitive pressures in the markets in which we operate.

- Reciprocal compensation revenue increased $4.2 million, or 12%, in 2000 and $16.1 million, or 87%, in 1999. The increase for 2000 is due to interconnection agreements being in place with Verizon and PacBell during all of 2000 that were not in place for all twelve months in 1999, partially offset by lower rates applicable to new interconnection agreements effective January 1, 2000. The increase for 1999 is due to new interconnection agreements being in place with Qwest, Verizon and PacBell during parts of 1999 that were not in place at all in 1998.

Long distance services revenue decreased $10.4 million, or 39%, in 2000 and increased $14.4 million, or 117%, in 1999. Long distance services include retail long distance, wholesale long distance and prepaid services.

- Retail long distance revenue increased $2.3 million, or 35%, in 2000 and $3.6 million, or 117%, in 1999. The increase is due to an increase in average monthly minutes processed of 3.1 million, or 47%, in 2000 and 3.6 million, or 118%, in 1999, partially offset by lower average rates per minute.
- Wholesale long distance revenue increased $0.1 million, or 2%, in 2000 and $2.9 million, or 86%, in 1999. The increase is due to an increase in average monthly minutes processed of 0.9 million, or 6%, in 2000 and 10.3 million, or 174%, in 1999, partially offset by lower average rates per minute.
- Prepaid services revenue decreased $12.8 million, or 93%, in 2000 and increased $7.9 million, or 134%, in 1999. The decrease in 2000 is due to our decision to exit the prepaid services market in the third quarter of 1999. The increase in 1999 is primarily due to an increase in minutes processed.

Data services revenue increased $22.1 million, or 75%, in 2000 and $15.6 million, or 113%, in 1999. Data services include Internet, RSVP and other services.

- Revenue from our Internet services product increased $6.1 million, or 53%, in 2000 and $6.4 million, or 93%, in 1999. Revenue from our RSVP products increased $2.5 million, or 227%, in 2000 and $1.0 million, or 684%, in 1999.
- Data services revenue also increased $13.2 million, or 200%, in 2000 and $6.6 million, or 100%, in 1999, as the result of an 18-month take-or-pay contract with a significant customer that expired on February 28, 2001 and which was not renewed. This take-or-pay contract provided $19.8 million in 2000 and $3.3 million in revenue for 2001.

Gas Revenue

	2000		1999		1998
	Amount	*% Change*	*Amount*	*% Change*	*Amount*
			($ in thousands)		
Gas revenue	$374,751	22%	$306,986	(6)%	$325,423

Gas revenue increased $67.8 million, or 22%, in 2000 primarily due to higher purchased gas costs passed on to customers, partially offset by a $27 million settlement of a proceeding with the Louisiana Public Service Commission during the fourth quarter of 2000. Gas revenue decreased $18.4 million, or 6%, in 1999 primarily due to lower purchased gas costs passed on to customers and decreased unit sales due to warmer weather conditions. Under tariff provisions, increases in our costs of gas purchased are largely passed on to customers.

Electric Revenue

	2000		1999		1998
	Amount	*% Change*	*Amount*	*% Change*	*Amount*
			($ in thousands)		
Electric revenue	$223,072	9%	$203,822	7%	$190,307

Electric revenue increased $19.3 million, or 9%, in 2000 primarily due to higher supplier prices passed on to customers and increased consumption. Electric revenue increased $13.5 million, or 7%, in 1999 primarily due to increased consumption and customer growth. Under tariff provisions, increases in our costs of electric energy and fuel oil purchased are largely passed on to customers.

During the past year the decrease in the availability of power in certain areas of the country has caused power supply costs to increase substantially, forcing companies to pay higher operating costs to operate their electric businesses. As a result, companies have attempted to offset these increased costs by either renegotiating prices with their power suppliers or passing these additional costs on to their customers through a rate proceeding. In Arizona, we are currently disputing excessive power costs charged by our power supplier in the amount of approximately $57 million through December 31, 2000. We are allowed to recover these charges from ratepayers through the Purchase Power Fuel Adjustment clause. In an attempt to limit "rate shock" to our customers, we have requested that this deferred amount, plus interest, be recovered over a three-year period. As a result, we have deferred these costs on the balance sheet in anticipation of recovering certain amounts either through renegotiations or through the regulatory process.

Cost of Services

	2000		1999		1998
	Amount	*% Change*	*Amount*	*% Change*	*Amount*
			($ in thousands)		
Gas purchased	$229,538	50%	$152,667	(8)%	$166,829
Electric energy and fuel oil purchased	113,965	16%	98,533	12%	87,930
Network access	151,239	(5)%	159,454	14%	140,471
Eliminations[1]	(45,621)	(7)%	(48,848)	38%	(35,468)
	$449,121	24%	$361,806	1%	$359,762

(1) Eliminations represent expenses incurred by our long distance operations related to network access services provided by our local exchange operations and expenses incurred by our ILEC operations related to network services provided by ELI.

Gas purchased increased $76.9 million, or 50%, in 2000 primarily due to higher purchased gas costs. Gas purchased decreased $14.2 million, or 8%, in 1999 primarily due to lower purchased gas costs. Under tariff provisions, increases in our costs of gas purchased are largely passed on to customers.

Electric energy and fuel oil purchased increased $15.4 million, or 16%, in 2000 primarily due to higher supplier prices and increased consumption. Electric energy and fuel oil purchased increased $10.6 million, or 12%, in 1999 primarily due to increased consumption and customer growth. Under tariff provisions, increases in our costs of electric energy and fuel oil purchased are largely passed on to customers. Gas, electric energy and fuel oil purchased excludes amounts deferred for future recovery in rates.

Network access expenses decreased $8.2 million, or 5%, in 2000 primarily due to a reduction in costs related to the 1999 exit of ELI's prepaid services business, partially offset by increased costs related to increased revenue growth and network expansion at ELI. Network access expense increased $19.0 million, or 14%, in 1999 primarily due to expenses related to the ELI national data expansion, partially offset by decreased ILEC sector long distance minutes of use from out-of-territory long distance customers.

Depreciation and Amortization Expense

	2000		1999		1998
	Amount	*% Change*	*Amount*	*% Change*	*Amount*
			($ in thousands)		
Depreciation expense	$369,930	20%	$307,428	27%	$242,791
Amortization expense	17,677	541%	2,757	3%	2,684
	$387,607	25%	$310,185	26%	$245,475

Depreciation expense increased $62.5 million, or 20%, in 2000 primarily due to higher plant in service balances for newly completed communications network facilities and electronics at ELI, increased property, plant and equipment, the impact of the Acquisitions of $14.6 million and an increase of $12.6 million in accelerated depreciation related to the change in useful life of an operating system in the ILEC sector. Depreciation expense was partially offset by $6.8 million of decreased depreciation expense resulting from the classification of our gas sector as "assets held for sale." Depreciation on gross gas property, plant and equipment was discontinued effective October 1, 2000. Depreciation expense increased $64.7 million, or 27%, in 1999 primarily due to increased property, plant and equipment and the acquisition of RTI in November 1998. The increase also includes $4.8 million of accelerated depreciation related to the change in useful life of an operating system in the ILEC sector.

Amortization expense increased $14.9 million, or 541%, in 2000 primarily due to amortization of goodwill related to the Acquisitions of $13.6 million.

Other Operating Expenses

	2000		1999		1998
	Amount	% Change	Amount	% Change	Amount
			($ in thousands)		
Operating expenses	$645,731	(6)%	$683,322	23%	$556,804
Taxes other than income taxes	100,101	(2)%	102,357	15%	89,181
Sales and marketing	60,382	(10)%	67,298	42%	47,325
Eliminations[1]	(2,314)	130%	(1,008)	9%	(921)
	$803,900	(6)%	$851,969	23%	$692,389

(1) Eliminations represent the elimination of intercompany administrative fees charged to ELI.

Operating expenses decreased $37.6 million, or 6%, in 2000 primarily due to the following items which were incurred in 1999: asset impairment charges of $36.1 million related to the discontinuation of the development of certain operational systems and certain regulatory assets deemed to be no longer recoverable, Y2K expenses of $17.3 million, restructuring charges related to our corporate office of $5.2 million, costs associated with an executive retirement agreement of $6.0 million and separation costs of $4.6 million. The 2000 amount also decreased due to $5.1 million of various expense reductions in the ILEC sector resulting from outsourcing and productivity enhancements. The decreases were partially offset by $15.1 million of increased operating expenses in 2000 related to the Acquisitions, increased operating costs of $11.0 million at ELI to support the expanded delivery of services and legal fees in the gas sector of $2.7 million associated with the settlement of a proceeding with the Louisiana Public Service Commission during the fourth quarter of 2000. Operating expenses increased $126.5 million, or 23%, in 1999 primarily due to asset impairment charges of $36.1 million related to the discontinuation of the development of certain operational systems and certain regulatory assets deemed to be no longer recoverable, Y2K expenses of $17.3 million, restructuring charges related to our corporate office of $5.2 million, costs associated with an executive retirement agreement of $6.0 million and separation costs of $4.6 million, the full year impact of RTI and ELI expenses relating to the expansion of data services and product exit costs.

Taxes other than income taxes decreased $2.3 million, or 2%, in 2000 primarily due to decreased payroll taxes resulting from a reduction in headcount in the gas and electric sectors, a payroll tax adjustment in the gas sector in 1999 and a reduction in property taxes. Taxes other than income increased $13.2 million, or 15%, in 1999 primarily due to increases in payroll and property taxes.

Sales and marketing expenses decreased $6.9 million, or 10%, in 2000 primarily due to headcount reductions resulting from exiting ELI's prepaid services business in 1999. Sales and marketing expenses increased $20.0 million, or 42%, in 1999 primarily due to increased personnel and product advertising to support the delivery of services in existing and new markets including the expansion of ELI data services and products.

Acquisition Assimilation Expense

	2000		1999		1998
	Amount	% Change	Amount	% Change	Amount
			($ in thousands)		
Acquisition assimilation expense	$39,929	920%	$3,916	N/A	$ —

Acquisition assimilation expense of $39.9 million and $3.9 million, in 2000 and 1999, respectively, is related to the completed and pending acquisitions of over 2 million telephone access lines. As we complete the acquisitions currently under contracts, we will continue to incur additional assimilation costs into 2001.

Income From Operations

	2000		1999		1998
	Amount	% Change	Amount	% Change	Amount
			($ in thousands)		
Income from operations	$121,801	73%	$70,360	(53)%	$150,962

Income from operations increased $51.4 million, or 73%, in 2000 primarily due to the Acquisitions, decreased ELI operating losses and decreased operating expenses, partially offset by increased acquisition assimilation expense, the settlement of a proceeding with the Louisiana Public Service Commission and increased depreciation expense. Income from operations for 1999 included the $10.4 million USF settlement recorded. Income from operations decreased $80.6 million, or 53%, in 1999 primarily due to increased ELI losses and increased operating expenses.

Investment and Other Loss, Net/Minority Interest/Interest Expense/Income Taxes

	2000		1999		1998
	Amount	% Change	Amount	% Change	Amount
			($ in thousands)		
Investment income, net	$ 4,736	(98)%	$243,885	654%	$ 32,352
Other loss, net	$ (1,386)	(1,475)%	$ (88)	100%	$ (26,236)
Minority interest	$ 12,222	(47)%	$ 23,227	66%	$ 14,032
Interest expense	$187,366	57%	$119,675	18%	$101,796
Income taxes (benefit)	$ (16,132)	(122)%	$ 74,900	350%	$ 16,660

Investment income decreased $239.1 million, or 98%, in 2000 primarily due to the $69.5 million gain on the sale of our investment in Centennial Cellular Corp. in January 1999, the $67.6 million gain on the sale of our investment in Century Communication Corp. in October 1999 and the $83.9 million gain on the sale of our investment in the cable joint venture in October 1999. The remaining decrease is primarily due to realized losses of $18.3 million on sales of available for sale securities to fund acquisitions. Investment income increased $211.5 million, or 654%, in 1999 primarily due to the $69.5 million gain on the sale of our investment in Centennial Cellular Corp. in January 1999, the $67.6 million gain on the sale of our investment in Century Communication Corp. in October 1999 and the $83.9 million gain on the sale of our investment in the cable joint venture in October 1999.

Other loss, net decreased $1.3 million, or 1,475%, in 2000 primarily due to a decrease in the equity component of the allowance for funds used during construction (AFUDC). Other loss, net increased $26.1 million, or 100%, in 1999 primarily due to the recognition of a $31.9 million loss resulting from the decline in value of the HTCC investment in 1998.

Minority interest represents the minority's share of ELI's net loss (minority interest in subsidiary, as presented on the balance sheet at December 31, 1999, represents the minority's share of ELI's equity capital). Since ELI's public offering, we recorded minority interest on our income statement and reduced minority interest on our balance sheet by the amount of the minority interests' share of ELI's losses. As of June 30, 2000, the minority interest on the balance sheet had been reduced to zero, therefore, from that point going forward. we discontinued recording minority interest income on our income statement as there is no obligation for the minority interests to provide additional funding for ELI. Therefore, we are recording ELI's entire loss in our consolidated results.

Interest expense increased $67.7 million, or 57%, in 2000 primarily due to a $24.8 million increase in ELI's interest expense related to increased borrowings and higher interest rates, $17.8 million increase due to an increase in our commercial paper outstanding used to fund acquisitions, and $14.9 million for amortization of costs associated with our committed bank credit facilities. A reduction in capitalized interest of $4.0 million due to lower average capital work in process balances at ELI also contributed to the increase. During the year ended December 31, 2000, we had average long-term debt outstanding of $2.6 billion compared to $2.0 billion during the year ended December 31, 1999. Interest expense increased $17.9 million, or 18%, in 1999 primarily due to increased ELI net borrowings, partially offset by decreased short-term debt balances. During the year ended December 31, 1999, we had average long-term debt outstanding of $2.0 billion compared to $1.7 billion during the year ended December 31, 1998.

Income taxes (benefit) decreased $91.0 million, or 122%, in 2000 primarily due to changes in taxable income and taxes on the gains on the sales of our investments in 1999. The estimated annual effective tax benefit rate for 2000 is 32.3% as compared with an effective tax rate of 34.4% for 1999. Income taxes increased $58.2 million, or 350%, in 1999 primarily due to increased taxable income and an increase in the effective tax rate. The effective tax rate for 1999 reflects the impact of increased pre-tax income resulting from the sales of investments included in Investment income in 1999.

Discontinued Operations

	2000		1999		1998
	Amount	*% Change*	*Amount*	*% Change*	*Amount*
			($ in thousands)		
Revenue	$105,202	3%	$102,408	9%	$93,784
Operating income	$ 27,415	38%	$ 19,887	(27)%	$27,207
Net income	$ 11,677	48%	$ 7,887	(39)%	$12,950

Discontinued operations represents the operations of our water/wastewater businesses.

Revenue from discontinued operations increased $2.8 million, or 3%, in 2000 and $8.6 million, or 9%, in 1999 primarily due to increased consumption and customer growth.

Operating income from discontinued operations increased $7.5 million, or 38%, in 2000 primarily due to increased revenue, decreased Y2K expenses, decreased corporate overhead charges and lower payroll costs due to a reduction in the staffing levels of support functions, partially offset by increased depreciation expense due to increased property, plant and equipment. Operating income from discontinued operations decreased $7.3 million, or 27%, in 1999 primarily due to restructuring charges, separation costs, costs associated with an executive retirement agreement and increased Y2K costs.

Net income from discontinued operations increased $3.8 million, or 48%, in 2000 and decreased $5.1 million, or 39%, in 1999, primarily due to the respective changes in operating income.

Net Income (Loss)/Net Income (Loss) Per Common Share/Other Comprehensive Income (Loss), Net of Tax and Reclassification Adjustments

	2000		1999		1998
	Amount	*% Change*	*Amount*	*% Change*	*Amount*
			($ in thousands, except per share amounts)		
Net income (loss)	$(28,394)	(120)%	$144,486	153%	$57,060
Net income (loss) per common share	$ (0.11)	(120)%	$ 0.55	150%	$ 0.22
Other comprehensive income (loss), net of tax and reclassification adjustments	$(14,505)	N/A	$ (41,769)	N/A	$52,872

Net loss and net loss per share for 2000 were impacted by the following after tax items: assimilation expenses of $24.6 million, or 9¢ per share, the settlement of a proceeding with the Louisiana Public Service Commission of $18.4 million, or 7¢ per share, accelerated depreciation to change the useful life of an operating system in the ILEC sector of $7.8 million, or 3¢ per share, and the impact of the acquisitions of $6.9 million, or 3¢ per share.

Net income and net income per share for 1999 were impacted by the following after tax items: gains on the sales of investments of $136.4 million, or 52¢ per share, asset impairment charges of $22.3 million, or 9¢ per share, an executive retirement agreement of $4.1 million, or 2¢ per share, restructuring charges of $3.6 million, or 1¢ per share, separation costs of $3.1 million, or 1¢ per share, accelerated depreciation of $3 million, or 1¢ per share, and pre-acquisition integration costs of $2.4 million, or 1¢ per share. 1999 net income and net income per share were also impacted by after tax net losses from ELI of $54.1 million, or 21¢ per share and after tax Y2K costs of $12.2 million, or 5¢ per share.

Net income and net income per share for 1998 were impacted by the following after tax items: the non-cash write down of our investment in HTCC of $19.7 million, or 7¢ per share, the cumulative effect of a change in accounting principle at ELI of $2.3 million, or 1¢ per share, and separation costs of $1.3 million, or 1¢ per share. 1998 net income and net income per share were also impacted by after tax net losses from ELI of $34.8 million, or 14¢ per share, and after tax Y2K costs of $5.3 million, or 2¢ per share.

Other comprehensive loss, net of tax and reclassification adjustments during 2000 is primarily the result of higher unrealized losses on our investment portfolio. Other comprehensive loss, net of tax and reclassification adjustments during 1999 is primarily the result of the realization of the gain on the sale of our investment in Centennial Cellular Corp. in January 1999, partially offset by higher unrealized gains on our investment portfolio during the first quarter 1999.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk in the normal course of our business operations due to our ongoing investing and funding activities. Market risk refers to the risk of loss that may result from the potential change in fair value of a financial instrument as a result of fluctuations in interest rates and equity and commodity prices. We manage our exposure to these risks by entering into long term debt obligations with appropriate price and term characteristics and by utilizing derivative financial instruments when they make business sense as follows:

Interest Rate Exposure

Our objectives in managing our interest rate risk is to limit the impact of interest rate changes on earnings and cash flows and to lower our overall borrowing costs. To achieve these objectives, we maintain fixed rate debt on a majority of our borrowings and refinance debt when advantageous by entering into long term debt obligations, including but not limited to, debenture and industrial development revenue bonds, which usually possess better than prime interest rates. We have $5.7 billion in committed credit facilities for the purpose of funding our pending acquisitions and supporting general corporate activities. As of December 31, 2000 there was $765 million outstanding under these facilities and $109 million in commercial paper backed by these facilities. Once funds are drawn down on these facilities it is our intention to permanently fund these amounts through cash and investment balances, proceeds from the divestiture of our public services businesses and other debt and equity instruments. Based upon our overall interest rate exposure at December 31, 2000 a near term change in interest rates would not materially affect our consolidated financial position, results of operations or cash flows.

Equity Price Exposure

In December 1999, our Board of Directors authorized the purchase of up to $100 million worth of shares of our common stock. In April 2000, our Board of Directors authorized the purchase of up to an additional $100 million worth of shares of our common stock. We purchased approximately $49.2 million worth of our shares on the open market for cash and approximately $150 million worth of our shares using equity forward contracts. These types of contracts are exposed to equity price risk as these contracts are indexed to our common stock, which is traded on stock exchanges. Based upon our overall equity price exposure at December 31, 2000 a material near term change in the price of our common stock could materially affect our consolidated financial position, results of operations or cash flows.

Commodity Price Exposure

During 2000, we purchased monthly gas future contracts to manage well defined commodity price fluctuations, caused by weather and other unpredictable factors, associated with our commitments to deliver natural gas to customers at fixed prices. This commodity activity relates to our gas businesses and is not material to our consolidated financial position, results of operations or cash flows. As of December 31, 2000 we did not have any outstanding gas future contracts. In addition, we purchase fixed and variable priced gas supply contracts that are considered derivative instruments as defined by SFAS 133, however such contracts are excluded from the provisions of SFAS 133 as they are purchases made in the normal course of business and not for speculative purposes.

During the past year the decrease in the availability of power in certain areas of the country has caused power supply costs to increase substantially, forcing companies to pay higher operating costs to operate their electric businesses. As a result, companies have attempted to offset these increased costs by either renegotiating prices with their power suppliers or passing these additional costs on to their customers through a rate proceeding. In Arizona, we are currently disputing excessive power costs charged by our power supplier in the amount of approximately $57 million through December 31, 2000. We are allowed to recover from ratepayers these charges through the Purchase Power Fuel Adjustment clause. In an attempt to limit "rate shock" to our customers, we have requested that this deferred amount, plus interest, be recovered over a three-year period. As a result, we have deferred these costs on the balance sheet in anticipation of recovering certain amounts either through renegotiations or through the regulatory process.

We do not hold or issue derivative or other financial instruments for trading purposes.

Finally, the carrying amount of cash, accounts receivable, current maturities of long-term debt, accounts payable and other accrued liabilities approximate fair value because of the short maturity of these instruments.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following documents are filed as part of this Report:

1. Financial Statements, See Index on page F-1.

2. Supplementary Data, Quarterly Financial Data is included in the Financial Statements (see 1. above).

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

PART III

We intend to file with the Commission a definitive proxy statement for the 2001 Annual Meeting of Stockholders pursuant to Regulation 14A not later than 120 days after December 31, 2000. The information called for by this Part III is incorporated by reference to that proxy statement.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) The exhibits listed below are filed as part of this Report:

Exhibit No.	*Description*
3.200.1	Restated Certificate of Incorporation of Citizens Communications Company, as restated May 19, 2000, (incorporated by reference to Exhibit 3.200.1 to the Registrant's Quarterly Report on Form 10-Q for the six months ended June 30, 2000, File No. 001-11001).
3.200.2	By-laws of Citizens Communications Company, with all amendments to July 18, 2000, (incorporated by reference to Exhibit 3.200.2 to the Registrant's Quarterly Report on Form 10-Q for the nine months ended September 30, 2000, File No. 001-11001).
4.100.1	Indenture of Securities, dated as of August 15, 1991, to Chemical Bank, as Trustee, (incorporated by reference to Exhibit 4.100.1 to the Registrant's Quarterly Report on Form 10-Q for the nine months ended September 30, 1991, File No. 001-11001).
4.100.2	First Supplemental Indenture, dated August 15, 1991, (incorporated by reference to Exhibit 4.100.2 to the Registrant's Quarterly Report on Form 10-Q for the nine months ended September 30, 1991, File No. 001-11001).
4.100.3	Letter of Representations, dated August 20, 1991, from Citizens Utilities Company and Chemical Bank, as Trustee, to Depository Trust Company (DTC) for deposit of securities with DTC, (incorporated by reference to Exhibit 4.100.3 to the Registrant's Quarterly Report on Form 10-Q for the nine months ended September 30, 1991, File No. 001-11001).
4.100.4	Second Supplemental Indenture, dated January 15, 1992, to Chemical Bank, as Trustee, (incorporated by reference to Exhibit 4.100.4 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1991, File No. 001-11001).
4.100.5	Letter of Representations, dated January 29, 1992, from Citizens Utilities Company and Chemical Bank, as Trustee, to DTC, for deposit of securities with DTC, (incorporated by reference to Exhibit 4.100.5 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1991, File No. 001-11001).
4.100.6	Third Supplemental Indenture, dated April 15, 1994, to Chemical Bank, as Trustee, (incorporated by reference to Exhibit 4.100.6 to the Registrant's Form 8-K Current Report filed July 5, 1994, File No. 001-11001).
4.100.7	Fourth Supplemental Indenture, dated October 1, 1994, to Chemical Bank, as Trustee, (incorporated by reference to Exhibit 4.100.7 to Registrant's Form 8-K Current Report filed January 3, 1995, File No. 001-11001).
4.100.8	Fifth Supplemental Indenture, dated as of June 15, 1995, to Chemical Bank, as Trustee, (incorporated by reference to Exhibit 4.100.8 to Registrant's Form 8-K Current Report filed March 29, 1996, File No. 001-11001).
4.100.9	Sixth Supplemental Indenture, dated as of October 15, 1995, to Chemical Bank, as Trustee, (incorporated by reference to Exhibit 4.100.9 to Registrant's Form 8-K Current Report filed March 29, 1996, File No. 001-11001).
4.100.11	Seventh Supplemental Indenture, dated as of June 1, 1996, (incorporated by reference to Exhibit 4.100.11 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1996, File No. 001-11001).
4.100.12	Eighth Supplemental Indenture, dated as of December 1, 1996, (incorporated by reference to Exhibit 4.100.12 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1996, File No. 001-11001).

Exhibit No.	Description
4.200.1	Indenture dated as of January 15, 1996, between Citizens Utilities Company and Chemical Bank, as indenture trustee (incorporated by reference to Exhibit 4.200.1 to the Registrant's Form 8-K Current Report filed May 28, 1996, File No. 001-11001).
4.200.2	First Supplemental Indenture dated as of January 15, 1996, between Citizens Utilities Company and Chemical Bank, as indenture trustee, (incorporated by reference to Exhibit 4.200.2 to the Registrant's Form 8-K Current Report filed May 28, 1996, File No. 001-11001).
4.200.3	5% Convertible Subordinated Debenture due 2036, (contained as Exhibit A to Exhibit 4.200.2), (incorporated by reference to Exhibit 4.200.2 to the Registrant's Form 8-K Current Report filed May 28, 1996, File No. 001-11001).
4.200.4	Amended and Restated Declaration of Trust dated as of January 15, 1996, of Citizens Utilities Trust, (incorporated by reference to Exhibit 4.200.4 to the Registrant's Form 8-K Current Report filed May 28, 1996, File No. 001-11001).
4.200.5	Convertible Preferred Security Certificate, (contained as Exhibit A-1 to Exhibit 4.200.4), (incorporated by reference to Exhibit 4.200.4 to the Registrant's Form 8-K Current Report filed May 28, 1996, File No. 001-11001).
4.200.6	Amended and Restated Limited Partnership Agreement dated as of January 15, 1996 of Citizens Utilities Capital L.P., (incorporated by reference to Exhibit 4.200.6 to the Registrant's Form 8-K Current Report filed May 28, 1996, File No. 001-11001).
4.200.7	Partnership Preferred Security Certificate (contained as Annex A to Exhibit 4.200.6), (incorporated by reference to Exhibit 4.200.6 to the Registrant's Form 8-K Current Report filed May 28, 1996, File No. 001-11001).
4.200.8	Convertible Preferred Securities Guarantee Agreement dated as of January 15, 1996 between Citizens Utilities Company and Chemical Bank, as guarantee trustee, (incorporated by reference to Exhibit 4.200.8 to the Registrant's Form 8-K Current Report filed May 28, 1996, File No. 001-11001).
4.200.9	Partnership Preferred Securities Guarantee Agreement dated as of January 15, 1996 between Citizens Utilities Company and Chemical Bank, as guarantee trustee, (incorporated by reference to Exhibit 4.200.9 to the Registrant's Form 8-K Current Report filed May 28, 1996, File No. 001-11001).
4.200.10	Letter of Representations, dated January 18, 1996, from Citizens Utilities Company and Chemical Bank, as trustee, to DTC, for deposit of Convertible Preferred Securities with DTC, (incorporated by reference to Exhibit 4.200.10 to the Registrant's Form 8-K Current Report filed May 28, 1996, File No. 001-11001).
4.300.1	Basic Equity Acquisition Contract between Citibank N.A. and Citizens Utilities Company.
10.5	Participation Agreement between ELI, Shawmut Bank Connecticut, National Association, the Certificate Purchasers named therein, the Lenders named therein, BA Leasing & Capital Corporation and Citizens Utilities Company dated as of April 28, 1995, and the related operating documents (incorporated by reference to Exhibit 10.5 of ELI's Registration Statement on Form S-1 effective on November 21, 1997, File No. 333-35227).
10.6	Deferred Compensation Plans for Directors, dated November 26, 1984 and December 10, 1984, (incorporated by reference to Exhibit 10.6 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1984, File No. 001-11001).
10.6.2	Non-Employee Directors' Deferred Fee Equity Plan dated as of June 28, 1994, with all amendments to May 5, 1997, (incorporated by reference to Exhibit A to the Registrant's Proxy Statement dated April 4, 1995 and Exhibit A to the Registrant's Proxy Statement dated March 28, 1997, respectively, File No. 001-11001).
10.16.1	Employment Agreement between Citizens Utilities Company and Leonard Tow, effective July 11, 1996, (incorporated by reference to Exhibit 10.16.1 to the Registrant's Quarterly Report on Form 10-Q for the nine months ended September 30, 1996, File No. 001-11001).
10.16.2	Employment Agreement between Citizens Communications Company and Leonard Tow, effective October 1, 2000.
10.17	1992 Employee Stock Purchase Plan, (incorporated by reference to Exhibit 10.17 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1992, File No. 001-11001).

Exhibit No.	*Description*
10.18	Amendments dated May 21, 1993 and May 5, 1997, to the 1992 Employee Stock Purchase Plan. (incorporated by reference to the Registrant's Proxy Statement dated March 31, 1993 and the Registrant's Proxy Statement dated March 28, 1997, respectively, File No. 001-11001).
10.19	Citizens Executive Deferred Savings Plan dated January 1, 1996, (incorporated by reference to Exhibit 10.19 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1999, File No. 001-11001).
10.20	Citizens Incentive Plan restated as of March 21, 2000, (incorporated by reference to Exhibit 10.19 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1999, File No. 001-11001).
10.21	1996 Equity Incentive Plan and amendment dated May 5, 1997 to 1996 Equity Incentive Plan. (incorporated by reference to Exhibit A to the Registrant's Proxy Statement dated March 29, 1996 and Exhibit B to Proxy Statement dated March 28, 1997, respectively, File No. 001-11001).
10.22	Competitive Advance and Revolving Credit Facility Agreement between Citizens Utilities Company and Chase Manhattan Bank dated October 29, 1999, (incorporated by reference to Exhibit 10.22 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1999, File No. 001-11001).
10.23	Credit Facility Agreement between Citizens Communications Company and Chase Manhattan Bank dated October 27, 2000.
10.24.1	Indenture from ELI to Citibank, N.A., dated April 15, 1999, with respect to ELI's 6.05% Senior Unsecured Notes due 2004, (incorporated by reference to Exhibit 10.24.1 of ELI's Annual Report on Form 10-K for the year ended December 31, 1999, File No. 0-23393).
10.24.2	First Supplemental Indenture from ELI, Citizens Utilities Company and Citizens Newco Company to Citibank, N.A. dated April 15, 1999, with respect to the 6.05% Senior Unsecured Notes due 2004, (incorporated by reference to Exhibit 10.24.2 of ELI's Annual Report on Form 10-K for the year ended December 31, 1999, File No. 0-23393).
10.24.3	Form of ELI's 6.05% Senior Unsecured Notes due 2004, (incorporated by reference to Exhibit 10.24.3 of ELI's Annual Report on Form 10-K for the year ended December 31, 1999, File No. 0-23393).
10.24.4	Letter of Representations to the Depository Trust Company dated April 28, 1999, with respect to ELI's 6.05% Senior Unsecured Notes due 2004, (incorporated by reference to Exhibit 10.24.4 of ELI's Annual Report on Form 10-K for the year ended December 31, 1999, File No. 0-23393).
10.25	Asset Purchase Agreements between Citizens Utilities Company and GTE Corporation dated May 27 and September 21, 1999, (incorporated by reference to Exhibit 10.25 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1999, File No. 001-11001).
10.26	Asset Purchase Agreements between Citizens Utilities Company and US West Communications, Inc. dated June 16, 1999, (incorporated by reference to Exhibit 10.26 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1999, File No. 001-11001).
10.27	Asset Purchase Agreements between Citizens Utilities Company and American Water Works dated October 15, 1999, (incorporated by reference to Exhibit 10.27 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1999, File No. 001-11001).
10.28	Asset Purchase Agreement between Citizens Utilities Company and GTE Incorporated dated December 16, 1999, (incorporated by reference to Exhibit 10.28 to the Registrant's Quarterly Report on Form 10-Q for the three months ended March 31, 2000, File No. 001-11001).
10.29	Asset Purchase Agreement between Citizens Utilities Company and Cap Rock Energy Corp. dated February 11, 2000, (incorporated by reference to Exhibit 10.29 to the Registrant's Quarterly Report on Form 10-Q for the three months ended March 31, 2000, File No. 001-11001).
10.30	Asset Purchase Agreement between Citizens Utilities Company and Kauai Island Utility CO-OP dated February 11, 2000, (incorporated by reference to Exhibit 10.30 to the Registrant's Quarterly Report on Form 10-Q for the three months ended March 31, 2000, File No. 001-11001).
10.31	Asset Purchase Agreement between Citizens Utilities Company and Atmos Energy Corporation dated April 13, 2000, (incorporated by reference to Exhibit 10.31 to the Registrant's Quarterly Report on Form 10-Q for the six months ended June 30, 2000, File No. 001-11001).

Exhibit No.	Description
10.32	Stock Purchase Agreement among Citizens Communications Company, Global Crossing Ltd. and Global Crossing North America, Inc. dated July 11, 2000, (incorporated by reference to Exhibit 10.32 to the Registrant's Quarterly Report on Form 10-Q for the nine months ended September 30, 2000, File No. 001-11001).
10.33	2000 Equity Incentive Plan dated May 18, 2000.
10.34	Basic Equity Acquisition Contract dated February 24, 2000.
10.35	Intercompany Agreement between Citizens Communications Company and Electric Lightwave, Inc. dated September 11, 2000 (incorporated by reference to Exhibit 10.28 of ELI's Annual Report on Form 10-K for the year ended December 31, 2000, File No. 0-23393).
10.36	Loan Agreement between Citizens Communications Company and Electric Lightwave, Inc. dated October 30, 2000 (incorporated by reference to Exhibit 10.29 of ELI's Annual Report on Form 10-K for the year ended December 31, 2000, File No. 0-23393).
12	Computation of ratio of earnings to fixed charges (this item is included herein for the sole purpose of incorporation by reference).
21	Subsidiaries of the Registrant
23	Auditors' Consent

Exhibits 10.6, 10.6.2, 10.16.1, 10.16.2, 10.17, 10.18, 10.19, 10.20, 10.21 and 10.33 are management contracts or compensatory plans or arrangements.

We agree to furnish to the Commission upon request copies of the Realty and Chattel Mortgage, dated as of March 1, 1965, made by Citizens Utilities Rural Company, Inc., to the United States of America (the Rural Utilities Services and Rural Telephone Bank) and the Mortgage Notes which that mortgage secures; and the several subsequent supplemental Mortgages and Mortgage Notes; copies of the instruments governing the long-term debt of Louisiana General Services, Inc.; copies of separate loan agreements and indentures governing various Industrial Development Revenue Bonds; copies of documents relating to indebtedness of subsidiaries acquired during 1996, 1997 and 1998, and copies of the credit agreement between Electric Lightwave, Inc. and Citibank, N. A. dated November 21, 1997. We agree to furnish to the Commission upon request copies of schedules and exhibits to items 10.25, 10.26, 10.27, 10.28, 10.29, 10.30, 10.31, and 10.32.

(b) Reports on Form 8-K:

We filed on Form 8-K dated August 31, 2000, under Item 7 "Financial Statements, Exhibits," financial statements of businesses acquired and pro forma financial information.

We filed on Form 8-K dated November 13, 2000, under Item 7 "Exhibits," a press release announcing financial results for third quarter ended September 30, 2000 and operating data.

We filed on Form 8-K dated December 15, 2000, under Item 5 "Other Events" and Item 7 "Exhibits," a press release announcing the settlement of a rate proceeding with the Louisiana Public Service Commission.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CITIZENS COMMUNICATIONS COMPANY
(Registrant)

By: /s/ LEONARD TOW

Leonard Tow
Chairman of the Board; Chief Executive Officer; Chairman of Executive Committee and Director

March 8, 2001

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on the 8th day of March 2001.

Signature	Title
/s/ ROBERT J. LARSON (Robert J. Larson)	Vice President and Chief Accounting Officer
/s/ NORMAN I. BOTWINIK (Norman I. Botwinik)	Director
/s/ RUDY J. GRAF (Rudy J. Graf)	Vice Chairman of the Board, President and Chief Operating Officer, and Director
/s/ AARON I. FLEISCHMAN (Aaron I. Fleischman)	Member, Executive Committee and Director
/s/ STANLEY HARFENIST (Stanley Harfenist)	Member, Executive Committee and Director
/s/ ANDREW N. HEINE (Andrew N. Heine)	Director
/s/ JOHN L. SCHROEDER (John L. Schroeder)	Director
/s/ ROBERT D. SIFF (Robert D. Siff)	Director
/s/ SCOTT N. SCHNEIDER (Scott N. Schneider)	Vice Chairman of the Board, Executive Vice President, Chairman of Citizens Capital Ventures and Director
/s/ ROBERT A. STANGER (Robert A. Stanger)	Member, Executive Committee and Director
/s/ CHARLES H. SYMINGTON, JR. (Charles H. Symington, Jr.)	Director
/s/ EDWIN TORNBERG (Edwin Tornberg)	Director
/s/ CLAIRE L. TOW (Claire L. Tow)	Director

CITIZENS COMMUNICATIONS COMPANY AND SUBSIDIARIES
Index to Consolidated Financial Statements

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Citizens Communications Company:

We have audited the accompanying consolidated balance sheets of Citizens Communications Company and subsidiaries as of December 31, 2000 and 1999 and the related consolidated statements of income (loss) and comprehensive income (loss), shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2000. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Citizens Communications Company and subsidiaries as of December 31, 2000 and 1999 and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

New York, New York
March 8, 2001

CITIZENS COMMUNICATIONS COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2000 and 1999
($ in thousands)

	2000	1999
Assets		
Current assets:		
Cash	$ 31,223	$ 37,141
Accounts receivable, net	243,304	241,519
Materials and supplies	10,945	12,624
Short-term investments	38,863	—
Other current assets	52,545	17,340
Assets held for sale	1,212,307	1,060,704
Assets of discontinued operations	673,515	595,710
Total current assets	2,262,702	1,965,038
Property, plant and equipment, net	3,509,767	2,888,718
Investments	214,359	591,386
Goodwill and customer base, net	633,268	30,187
Regulatory assets	175,949	184,942
Other assets	158,961	111,474
Total assets	$6,955,006	$5,771,745
Liabilities and Equity		
Current liabilities:		
Long-term debt due within one year	$ 181,014	$ 31,156
Accounts payable	171,002	187,984
Income taxes accrued	3,429	75,161
Other taxes accrued	31,135	27,823
Interest accrued	36,583	30,788
Customer deposits	18,683	32,842
Other current liabilities	69,551	81,258
Liabilities related to assets held for sale	290,575	139,157
Liabilities of discontinued operations	190,496	171,112
Total current liabilities	992,468	777,281
Deferred income taxes	490,487	460,208
Customer advances for construction and contributions in aid of construction	205,604	179,831
Other liabilities	108,321	87,668
Regulatory liabilities	24,573	27,000
Long-term debt	3,062,289	2,107,460
Minority interest in subsidiary	—	11,112
Equity forward contracts	150,013	—
Company Obligated Mandatorily Redeemable Convertible Preferred Securities*	201,250	201,250
Shareholders' equity	1,720,001	1,919,935
Total liabilities and shareholders' equity	$6,955,006	$5,771,745

* Represents securities of a subsidiary trust, the sole assets of which are securities of a subsidiary partnership, substantially all the assets of which are convertible debentures of the Company.

The accompanying Notes are an integral part of these Consolidated Financial Statements.

CITIZENS COMMUNICATIONS COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

For the years ended December 31, 2000, 1999 and 1998

($ in thousands, except per-share amounts)

	2000	*1999*	*1998*
Revenue	$1,802,358	$1,598,236	$1,448,588
Operating expenses:			
Cost of services	449,121	361,806	359,762
Depreciation and amortization	387,607	310,185	245,475
Other operating expenses	803,900	851,969	692,389
Acquisition assimilation expense	39,929	3,916	—
Total operating expenses	1,680,557	1,527,876	1,297,626
Operating income	121,801	70,360	150,962
Investment income, net	4,736	243,885	32,352
Other loss, net	(1,386)	(88)	(26,236)
Minority interest	12,222	23,227	14,032
Interest expense	187,366	119,675	101,796
Income (loss) from continuing operations before income taxes, dividends on convertible preferred securities and cumulative effect of change in accounting principle	(49,993)	217,709	69,314
Income tax expense (benefit)	(16,132)	74,900	16,660
Income (loss) from continuing operations before dividends on convertible preferred securities and cumulative effect of change in accounting principle	(33,861)	142,809	52,654
Dividends on convertible preferred securities, net of income tax benefit	6,210	6,210	6,210
Income (loss) from continuing operations before cumulative effect of change in accounting principle	(40,071)	136,599	46,444
Income from discontinued operations, net of tax	11,677	7,887	12,950
Income (loss) before cumulative effect of change in accounting principle	(28,394)	144,486	59,394
Cumulative effect of change in accounting principle, net of income tax and related minority interest	—	—	2,334
Net income (loss)	$ (28,394)	$ 144,486	$ 57,060
Other comprehensive income (loss), net of income tax and reclassification adjustments	(14,505)	(41,769)	52,872
Total comprehensive income (loss)	$ (42,899)	$ 102,717	$ 109,932
Income (loss) from continuing operations before cumulative effect of change in accounting principle per common share:			
Basic	$ (0.15)	$ 0.52	$ 0.18
Diluted	$ (0.15)	$ 0.52	$ 0.18
Income from discontinued operations per common share:			
Basic	$ 0.04	$ 0.03	$ 0.05
Diluted	$ 0.04	$ 0.03	$ 0.05
Income (loss) before cumulative effect of change in accounting principle per common share:			
Basic	$ (0.11)	$ 0.55	$ 0.23
Diluted	$ (0.11)	$ 0.55	$ 0.23
Net income (loss) per common share:			
Basic	$ (0.11)	$ 0.55	$ 0.22
Diluted	$ (0.11)	$ 0.55	$ 0.22

The accompanying Notes are an integral part of these Consolidated Financial Statements.

CITIZENS COMMUNICATIONS COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

For the years ended December 31, 2000, 1999 and 1998
($ in thousands, except for per-share amounts)

	Common Stock ($0.25)	*Additional Paid-In Capital*	*Retained Earnings*	*Accumulated Other Comprehensive Income (Loss)*	*Treasury Stock*	*Total Shareholders' Equity*
Balance January 1, 1998	$62,749	$1,480,425	$132,217	$ 3,820	$ —	$1,679,211
Acquisitions	133	2,150	—	—	—	2,283
Common stock buybacks to fund dividends	(453)	(14,370)	—	—	—	(14,823)
Stock plans	171	5,935	—	—	—	6,106
Stock issuances to fund EPPICS dividends	273	9,789	—	—	—	10,062
Net income	—	—	57,060	—	—	57,060
Other comprehensive income, net of tax and reclassification adjustment	—	—	—	52,872	—	52,872
Stock dividends in shares of Common Stock	1,914	70,259	(72,173)	—	—	—
Balance December 31, 1998	64,787	1,554,188	117,104	56,692	—	1,792,771
Common stock buybacks to fund EPPICS dividends	(157)	(6,468)	—	—	—	(6,625)
Stock plans	638	20,475	—	—	—	21,113
Stock issuances to fund EPPICS dividends	251	9,708	—	—	—	9,959
Net income	—	—	144,486	—	—	144,486
Other comprehensive loss, net of tax and reclassification adjustment	—	—	—	(41,769)	—	(41,769)
Balance December 31, 1999	65,519	1,577,903	261,590	14,923	—	1,919,935
Acquisitions	28	1,770	—	—	1,861	3,659
Treasury stock acquisitions	—	—	—	—	(49,209)	(49,209)
Stock plans	895	42,156	—	—	(4,523)	38,528
Equity forward contracts	—	(150,013)	—	—	—	(150,013)
Net loss	—	—	(28,394)	—	—	(28,394)
Other comprehensive loss, net of tax and reclassification adjustment	—	—	—	(14,505)	—	(14,505)
Balance December 31, 2000	$66,442	$1,471,816	$233,196	$ 418	$(51,871)	$1,720,001

The accompanying Notes are an integral part of these Consolidated Financial Statements.

CITIZENS COMMUNICATIONS COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2000, 1999 and 1998

($ in thousands)

	2000	*1999*	*1998*
Net cash provided by continuing operating activities	$ 308,144	$ 370,289	$ 249,899
Cash flows from investing activities:			
Capital expenditures	(536,639)	(573,330)	(477,976)
Securities purchased	(101,427)	(1,068,451)	(952,628)
Securities sold	381,699	1,084,239	992,769
Securities matured	16,072	7,435	2,000
Acquisitions	(986,133)	—	(88,863)
ELI share purchases	(38,748)	—	—
Other	(8,454)	(2,833)	(6,398)
Net cash used by investing activities	(1,273,630)	(552,940)	(531,096)
Cash flows from financing activities:			
Short-term debt borrowings (repayments)	—	(110,000)	42,000
Long-term debt borrowings	1,063,158	340,503	240,485
Long-term debt principal payments	(46,972)	(46,619)	(7,302)
Issuance of common stock	19,773	21,113	7,101
Common stock buybacks	(49,209)	(6,625)	(14,823)
Other	30,684	(6,363)	40,232
Net cash provided by financing activities	1,017,434	192,009	307,693
Cash used by discontinued operations	(57,866)	(4,139)	(29,737)
Increase (decrease) in cash	(5,918)	5,219	(3,241)
Cash at January 1,	37,141	31,922	35,163
Cash at December 31,	$ 31,223	$ 37,141	$ 31,922
Non-cash investing and financing activities:			
Increase in capital lease asset	$ 102,192	$ 60,321	$ 7,987
Equity forward contracts	150,013	—	—
Issuance of shares for acquisitions	3,659	—	2,283
Issuance of shares for dividends	—	9,959	82,235
Debt assumed from acquisitions	—	—	13,800

The accompanying Notes are an integral part of these Consolidated Financial Statements.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. Description of Business:

Citizens Communications Company and its subsidiaries are referred to as "we", "us" or "our" in this report. We provide wireline communications services primarily to customers in rural areas and small and medium sized cities and towns throughout the United States as an incumbent local exchange carrier (ILEC). In addition, we provide competitive local exchange carrier (CLEC) services to business customers and to other communications carriers in the western United States through our 85% owned subsidiary, Electric Lightwave Inc. (ELI). We also provide public services including natural gas transmission and distribution, electric transmission and distribution and water distribution and wastewater treatment services to primarily rural and suburban customers throughout the United States. We are not dependent upon any single geographic area or single customer for our revenue.

In recent years, we have focused our efforts and resources toward transforming ourselves into a telecommunications provider. In order to execute this strategy, we announced our intention to acquire telephone access lines and to partially fund our future expansion into the telecommunications business through the divestiture of our public utility operations. During 1999, opportunities became available to acquire a significant number of telephone access lines that met our investment criteria. These acquisitions are consistent with our strategy to broaden our geographic profile and to acquire and operate ILEC businesses in small and medium sized cities and towns. They provide us with the opportunity to further achieve critical mass as well as economies of scale throughout the United States and will enable us to improve operating efficiencies. Between May 1999 and July 2000, we announced that we had entered into agreements to purchase approximately 2,034,700 telephone access lines (as of December 31, 2000) for approximately $6,471,000,000 in cash (see Note 4). Also, we have agreements to sell all of our water and wastewater treatment businesses, one of our electric businesses and one of our gas businesses for approximately $1,470,000,000 in cash plus the assumption of certain liabilities (see Note 5).

b. Principles of Consolidation and Use of Estimates:

Our consolidated financial statements have been prepared in accordance with generally accepted accounting principles. Certain reclassifications of balances previously reported have been made to conform to current presentation.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

c. Revenue Recognition:

In December 1999, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin 101 (SAB 101), "Revenue Recognition in Financial Statements," which provides additional guidance in applying generally accepted accounting principles for revenue recognition in consolidated financial statements. SAB 101 was effective beginning in the fourth quarter of 2000 and did not have a material impact on our financial statements.

ILEC

Network access services Monthly recurring network access service charges are billed in advance with any portion that is billed but unearned recorded as deferred revenue on the balance sheet as part of accrued expenses which are then recognized as revenue over the period that services are provided. Non-recurring network access services are billed in arrears and recognized as revenue in the period services are provided. Earned but unbilled network access service revenue is accrued for and included in accounts receivable and revenue in the period services are provided. Network access revenue primarily consists of switched access revenue billed to other carriers. Switched access revenue is billed in arrears and recognized as revenue in the period services are provided based on originating and terminating minutes of use. Network access revenue also contains special access revenue. Special access revenue is billed in arrears and recognized in revenue in the period services are provided.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Local services Monthly recurring local line charges are billed to end users in advance and recognized as revenue in the period of billing with any portion that is billed but unearned recorded as deferred revenue on the balance sheet as part of accrued expenses. Non-recurring local services are billed in arrears and recognized as revenue in the period services are provided. Earned but unbilled local service revenue is accrued for and included in accounts receivable and revenue in the period services are provided.

Long distance services Long distance services are billed in arrears and recognized as revenue in the period services are provided. Earned but unbilled long distance revenue is accrued for and included in accounts receivable and revenue in the period services are provided.

Directory services and other Revenue is recognized when services are provided or when products are delivered to customers. Installation fees and their related direct and incremental costs are initially deferred and recognized as revenue and expense over the average term of a customer relationship.

ELI

Revenue is recognized when the services are provided. Certain revenue are deferred and recognized on a straight-line basis over the terms of the related agreements. Installation fees and their related direct and incremental costs are initially deferred and recognized as revenue and expense over the average term of a customer relationship.

PUBLIC SERVICES

Revenue is recognized when services are provided for public services. Certain revenue is based upon consumption while other revenue is based upon a flat fee. Earned but unbilled public services revenue is accrued for and included in accounts receivable and revenue.

d. Construction Costs and Maintenance Expense:

Property, plant and equipment are stated at original cost, including general overhead and an allowance for funds used during construction (AFUDC) for regulated businesses and capitalized interest for unregulated businesses. Maintenance and repairs are charged to operating expenses as incurred. The book value, net of salvage, of routine property, plant and equipment dispositions is charged against accumulated depreciation for regulated operations.

AFUDC represents the borrowing costs and a return on common equity of funds used to finance construction of regulated assets. AFUDC is capitalized as a component of additions to property, plant and equipment and is credited to income. AFUDC does not represent current cash earnings; however, under established regulatory rate-making practices, after the related plant is placed in service, we are permitted to include in the rates charged for regulated services a fair return on and depreciation of such AFUDC included in plant in service. The amount of AFUDC relating to equity is included in other loss, net ($3,257,000, $4,586,000 and $3,869,000 for 2000, 1999 and 1998, respectively) and the amount relating to borrowings is included as a reduction of interest expense ($3,504,000, $4,206,000 and $3,010,000 for 2000, 1999 and 1998, respectively). Capitalized interest for unregulated construction activities amounted to $4,766,000, $8,681,000 and $10,444,000 for 2000, 1999 and 1998, respectively.

e. Regulatory Assets and Liabilities:

Certain of our local exchange telephone operations and all of our public services operations are subject to the provisions of Statement of Financial Accounting Standards (SFAS) No. 71, "Accounting for the Effects of Certain Types of Regulation". For these entities, regulators can establish regulatory assets and liabilities that are required to be reflected in the balance sheet in anticipation of future recovery through the ratemaking process.

Our consolidated balance sheet as of December 31, 2000 included regulatory assets of approximately $62.0 million and regulatory liabilities of approximately $4.1 million associated with our local exchange telephone operations. The

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

remainder of the regulatory assets and regulatory liabilities on the balance sheet are associated with assets and liabilities held for sale and discontinued operations. In addition, property, plant and equipment for the properties subject to SFAS 71 have been depreciated using the straight-line method over plant lives approved by regulators. Such depreciable lives may exceed the lives that would have been used if we did not operate in a regulated environment.

SFAS No. 101 "Regulated Enterprises Accounting for the Discontinuance of Application of SFAS No. 71" specifies the accounting required when the regulated operations of an enterprise are no longer expected to meet the provisions of SFAS 71 in the future due to changes in regulations, competition and the operations of regulated entities. SFAS 101 would require the write-off of a portion of our regulatory assets and liabilities, as a net non-cash charge or credit to income, if it were determined that the conditions requiring the use of SFAS 71 no longer apply in the future. SFAS 101 further provides that the carrying amount of property, plant and equipment would be adjusted to reflect the use of shorter depreciation lives only to the extent that the net book value of these assets are impaired and that impairment shall be measured as described in Note 1(f) below.

The ongoing applicability of SFAS 71 to our regulated telephone operations is continually monitored due to the changing regulatory, competitive and legislative environment and the changes that may occur in our future operations as we acquire and consolidate our local exchange telephone operations. It is possible that future environmental changes, or changes in the demand for our products and services could result in our telephone operations no longer being subject to the provisions of SFAS 71. If discontinuation of SFAS 71 becomes appropriate, the accounting may result in a material non-cash effect on our results of operations and financial position that can not be estimated at this time.

f. Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed of:

We review long-lived assets and certain identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment is measured by the amount by which the carrying amount of the assets exceed the fair value. During the fourth quarter of 1999, we determined that certain long-lived ILEC assets were impaired. As a result, we recorded $36,136,000 of pre-tax charges as part of other operating expenses, including approximately $15,369,000 related to a decision made by management to discontinue development of certain operational systems and approximately $20,767,000 related to certain regulatory assets deemed to be no longer recoverable.

g. Investments:

We classify our investments at purchase as available-for-sale or held-to-maturity. We do not maintain a trading portfolio.

Securities classified as available-for-sale are carried at estimated fair market value. These securities are held for an indefinite period of time, but might be sold in the future as changes in market conditions or economic factors occur. Net aggregate unrealized gains and losses related to such securities, net of taxes, are included as a separate component of shareholders' equity. Held-to-maturity securities represented those which we have the ability and intent to hold to maturity and are carried at amortized cost, adjusted for amortization of premiums/discounts and accretion over the period to maturity. Interest, dividends and gains and losses realized on sales of securities are reported in Investment income.

We evaluate our investments periodically to determine whether any decline in fair value, below the amortized cost basis, is other than temporary. If we determine that a decline in fair value is other than temporary, the cost basis of the individual investment is written down to fair value which becomes the new cost basis. The amount of the write down is included in earnings as a loss.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

h. Income Taxes, Deferred Income Taxes and Investment Tax Credits:

We file a consolidated federal income tax return. We utilize the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred income taxes are recorded for the tax effect of temporary differences between the financial statement and the tax bases of assets and liabilities using tax rates expected to be in effect when the temporary differences are expected to turn around. Regulatory assets and liabilities (see Note 1(e)) include income tax benefits previously flowed through to customers and from the AFUDC, the effects of tax law changes and the tax benefit associated with unamortized deferred investment tax credits. These regulatory assets and liabilities represent the probable net increase in revenue that will be reflected through future ratemaking proceedings. The investment tax credits relating to regulated operations, as defined by applicable regulatory authorities, have been deferred and are being amortized to income over the lives of the related properties.

i. Employee Stock Plans:

We have various employee stock-based compensation plans. Awards under these plans are granted to eligible officers, management employees and non-management employees. Awards may be made in the form of incentive stock options, non-qualified stock options, stock appreciation rights, restricted stock or other stock based awards. As permitted by current accounting rules, we recognize compensation expense in the financial statements only if the market price of the underlying stock exceeds the exercise price on the date of grant. We provide pro forma net income (loss) and pro forma net income (loss) per common share disclosures for employee stock option grants made in 1995 and thereafter based on the fair value of the options at the date of grant (see Note 11). Fair value of options granted is computed using the Black-Scholes option pricing model.

j. Minority Interest and Minority Interest in Subsidiary:

Minority interest represents the minority's share of ELI's net loss (minority interest in subsidiary, as presented on the balance sheet at December 31, 1999, represents the minority's share of ELI's equity capital). Since ELI's initial public offering, we recorded minority interest on our income statement and reduced minority interest on our balance sheet by the amount of the minority interests' share of ELI's losses. As of June 30, 2000, the minority interest on the balance sheet had been reduced to zero, therefore, from that point going forward, we discontinued recording minority interest income on our income statement as there is no obligation for the minority interests to provide additional funding for ELI. Therefore, we are recording ELI's entire loss in our consolidated results.

k. Net Income per Common Share:

Basic net income per common share is computed using the weighted average number of common shares outstanding during the period being reported on. Diluted net income per common share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock at the beginning of the period being reported on.

l. Goodwill and Customer Base:

Goodwill and customer base represents the excess of purchase price over the fair value of identifiable assets acquired. We undertake studies to determine the fair values of assets acquired and allocate purchase prices to property, plant and equipment, goodwill and customer base, accordingly. We depreciate the assets over their respective depreciable lives and amortize goodwill and customer base by use of the straight-line method (see Note 4 for current acquisitions). We regularly examine the carrying value of our goodwill and customer base to determine whether there is any impairment losses. See Note 1(f) above related to our impairment policy.

m. Changes in Accounting Principles:

In September 2000, the Emerging Issues Task Force (EITF) issued EITF Issue 00-19, "Determination of Whether Share Settlement Is within the Control of the Issuer for Purposes of Applying Issue No. 96-13, Accounting for

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock." The EITF clarifies when financial instruments that are indexed to or potentially settled in a company's own stock are to be classified as an asset or liability and when they are to be classified as equity. The EITF allows for a transition period for contracts existing at the date of the consensus and remaining outstanding at June 30, 2001 to allow time for contracts to be modified in order for a company to continue to account for certain contracts as equity after June 30, 2001 (see Note 10).

In June 1998, the Financial Accounting Standards Board (FASB) issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement establishes accounting and reporting standards for derivative instruments and hedging activities and, as amended, is effective for all fiscal quarters of fiscal years beginning after June 15, 2000. SFAS 133 requires balance sheet recognition of derivatives as assets or liabilities measured at fair value. Accounting for gains and losses resulting from changes in the values of derivatives is dependent on the use of the derivative and whether it qualifies for hedge accounting. We expect the adoption of SFAS 133 could increase the volatility of operating results in the future. In general, the amount of volatility will vary with the level of derivative activities during any period. We have adopted SFAS 133 as of January 1, 2001. Based on our analysis of the statement, we have not identified any derivative instruments subject to its provisions and therefore, SFAS 133, upon adoption, will not have any impact on our financial statements.

In April 1998, the Accounting Standards Executive Committee of the AICPA released SOP 98-5, "Reporting on the Costs of Start-Up Activities." SOP 98-5 requires that the unamortized portion of deferred start up costs be written off and reported as a change in accounting principle. Future costs of start-up activities should then be expensed as incurred. Certain third party direct costs incurred by ELI in connection with negotiating and securing initial rights-of-way and developing network design for new market clusters or locations had been capitalized by ELI in previous years and were being amortized over five years. We elected to early adopt SOP 98-5 effective January 1, 1998. The net book value of these deferred amounts was $3,394,000 which has been reported as a cumulative effect of a change in accounting principle in the statement of income (loss) and comprehensive income (loss) for the year ended December 31, 1998, net of an income tax benefit of $577,000 and the related minority interest of $483,000.

(2) ACCOUNTS RECEIVABLE:

The components of accounts receivable, net at December 31, 2000 and 1999 are as follows:

	2000	1999
	($ in thousands)	
Customers	$229,911	$213,457
Other	37,306	56,340
Less: Allowance for doubtful accounts	(23,913)	(28,278)
Accounts receivable, net	$243,304	$241,519

(3) PROPERTY, PLANT AND EQUIPMENT:

The components of property, plant and equipment at December 31, 2000 and 1999 are as follows:

	Estimated Useful Lives	*2000*	*1999*
		($ in thousands)	
Telephone outside plant	4 to 56 years	$ 2,721,425	$ 2,244,808
Telephone central office equipment	5 to 20 years	1,644,302	1,272,647
Information systems and other administrative assets	4 to 58 years	635,752	619,865
Other		52,531	34,498
Construction work in progress		242,472	286,836
		5,296,482	4,458,654
Less: accumulated depreciation		(1,786,715)	(1,569,936)
Property, plant and equipment, net		$ 3,509,767	$ 2,888,718

Depreciation expense, calculated using the straight-line method, is based upon the estimated service lives of various classifications of property, plant and equipment. Depreciation expense was $369,930,000, $307,428,000 and $242,791,000 for the years ended December 31, 2000, 1999 and 1998, respectively. We ceased to record depreciation expense on the gas assets effective October 1, 2000 and on the electric assets effective January 1, 2001 (see Note 5).

(4) MERGERS AND ACQUISITIONS:

From May 27, 1999 through July 12, 2000, we entered into several agreements to acquire approximately 2,034,700 telephone access lines (as of December 31, 2000) for approximately $6,471,000,000 in cash. These transactions have been and will be accounted for using the purchase method of accounting. As a result, the results of operations of the acquired properties have been and will be included in our financial statements from the dates of acquisition of each property. These agreements and the status of each transaction are described as follows:

On May 27, September 21, and December 16, 1999, we announced definitive agreements to purchase from Verizon Communications, formerly GTE Corp. (Verizon), approximately 381,200 telephone access lines (as of December 31, 2000) in Arizona, California, Illinois/Wisconsin, Minnesota and Nebraska for approximately $1,171,000,000 in cash. These acquisitions are subject to various state and federal regulatory approvals. On June 30, 2000, we closed on the Nebraska purchase of approximately 62,200 access lines for approximately $205,000,000 in cash. On August 31, 2000, we closed on the Minnesota purchase of approximately 142,400 access lines for approximately $439,000,000 in cash. On November 30, 2000, we closed on the Illinois/Wisconsin purchase of approximately 112,900 access lines for approximately $304,000,000 in cash. We expect that the remainder of the Verizon transactions will close on a state-by-state basis in the first half of 2001.

On June 16, 1999, we announced a series of definitive agreements to purchase from Qwest Communications, formerly US West (Qwest), approximately 556,800 telephone access lines (as of December 31, 2000) in Arizona, Colorado, Idaho/Washington, Iowa, Minnesota, Montana, Nebraska, North Dakota and Wyoming for approximately $1,650,000,000 in cash and the assumption of certain liabilities. On October 31, 2000, we closed on the North Dakota purchase of approximately 17,000 access lines for approximately $38,000,000 in cash. We expect that the remainder of the Qwest acquisitions, which are subject to various state and federal regulatory approvals, will occur on a state-by-state basis by the end of the first quarter of 2002.

On July 12, 2000, we announced a definitive agreement to purchase from Global Crossing Ltd. (Global) 100% of the stock of Frontier Corp., which owns approximately 1,096,700 telephone access lines (as of December 31, 2000) in Alabama/Florida, Georgia, Illinois, Indiana, Iowa, Michigan, Minnesota, Mississippi, New York, Pennsylvania

(4) MERGERS AND ACQUISITIONS: (Continued)

and Wisconsin, for approximately $3,650,000,000 in cash. We expect that this transaction, which is subject to various state and federal regulatory approvals, will be completed in the second half of 2001.

In November 1998, we acquired all of the stock of Rhinelander Telecommunication, Inc. (RTI) for approximately $84,000,000 in cash. RTI is a diversified telecommunications company engaged in providing local exchange, long distance, Internet access, wireless and cable television services to rural markets in Wisconsin. This transaction was accounted for using the purchase method of accounting and the results of operations of RTI have been included in the accompanying financial statements from the date of acquisition.

In October 1998, we acquired all of the stock of St. Charles Natural Gas Company for approximately $5,000,000 in cash. St. Charles Natural Gas Company was a natural gas distribution company serving 5,000 customers in Louisiana and became part of our Louisiana Gas Services operations. This transaction was accounted for using the purchase method of accounting and the results of operations of St. Charles Natural Gas Company have been included in the accompanying financial statements from the date of acquisition.

The following summarizes the allocation of purchase prices for 2000, 1999 and 1998.

Year	*Purchase Price*	*Number of Properties Acquired*	*Allocated to:* Plant	Goodwill	Net Other	Total
			($ in thousands)			
2000	$986,133	4	$401,004	$584,306	$ 823	$986,133
1999	—	—	—	—	—	—
1998	88,863	2	97,981	8,351	(17,469)	88,863

The following pro forma financial information for 2000 and 1999 presents the combined results of our operations, the Verizon Nebraska, Minnesota and Illinois/Wisconsin properties acquired on June 30, 2000, August 31, 2000 and November 30, 2000, respectively and the Qwest North Dakota property acquired on October 31, 2000. The pro forma financial information for 1998 presents the combined results of our operations and RTI. The effect of St. Charles Natural Gas Company is not material. The pro forma information presents the combined results as if the acquisitions had occurred at the beginning of the year prior to its acquisition. The pro forma financial information does not necessarily reflect the results of operations that would have occurred had we constituted a single entity during such periods.

	2000	*1999*	*1998*
	($ in thousands, except per share amounts)		
Revenue	$1,947,522	$1,795,222	$1,465,948
Net income (loss)	$ (39,542)	$ 116,665	$ 55,940
Net income (loss) per share	$ (0.15)	$ 0.45	$ 0.22

(5) DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE:

On August 24, 1999, our Board of Directors approved a plan of divestiture for our public services businesses, which include gas, electric and water and wastewater businesses. The proceeds from the sales of these public services businesses will be used to partially fund the telephone access line purchases (see Note 4).

(5) DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE: (Continued)

Currently, we have agreements to sell all our water and wastewater operations, one of our electric operations and one of our natural gas operations. The proceeds from these agreements will include approximately $1,470,000,000 in cash plus the assumption of certain liabilities. These agreements and the status of each transaction are described as follows:

- On October 18, 1999, we announced the agreement to sell our water and wastewater operations to American Water Works, Inc. for $745,000,000 in cash and $90,000,000 of assumed debt. These transactions are currently expected to close in the second half of 2001 following regulatory approvals.
- On February 15, 2000, we announced that we had agreed to sell our electric utility operations. The Arizona and Vermont electric divisions were under contract to be sold to Cap Rock Energy Corp. (Cap Rock). Cap Rock has failed to raise the required financing and obtain the required regulatory approval necessary to meet its obligations under the contract for sale. The agreement with Cap Rock was terminated on March 7, 2001. It is our intention to pursue the disposition of the Vermont and Arizona electric divisions with alternative buyers. In August 2000, the HPUC denied the initial application requesting approval of the purchase of our Kauai electric division by the Kauai Island Electric Co-Op for $270,000,000 in cash including the assumption of certain liabilities. We are considering a variety of options, including filing a request for reconsideration of the decision, which may include filing a new application.
- On April 13, 2000, we announced the agreement to sell our Louisiana Gas operations to Atmos Energy Corporation for $365,000,000 in cash plus the assumption of certain liabilities. This transaction is expected to close in the first half of 2001 following regulatory approvals.

Discontinued operations in the consolidated statements of income (loss) and comprehensive income (loss) reflect the results of operations of the water/wastewater properties including allocated interest expense for the periods presented. Interest expense was allocated to the discontinued operations based on the outstanding debt specifically identified with these businesses. The long-term debt presented in liabilities of discontinued operations represents the only liability to be assumed by the buyer pursuant to the water and wastewater asset sale agreements.

In 1999, we initially accounted for the planned divestiture of all the public services properties as discontinued operations. As of December 31, 2000, we did not have agreements to sell our entire gas and electric segments. Consequently, in the third and fourth quarters of 2000, we reclassified all of our gas and electric assets and their related liabilities to "assets held for sale" and "liabilities related to assets held for sale", respectively, we also reclassified the results of these operations from discontinued operations to their original income statement captions as part of continuing operations and restated the 1999 balance sheet to conform to the current presentation. Additionally, because both our gas and electric operations are expected to be sold at a profit, we ceased to record depreciation expense on the gas assets effective October 1, 2000 and on the electric assets effective January 1, 2001. Such depreciation expense would have been $6.8 million for the three months ended December 31, 2000. We are continuing to actively pursue buyers for our gas and electric businesses.

(5) DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE: (Continued)

Summarized financial information for the water/wastewater operations (discontinued operations) is set forth below:

	2000	*1999*
	($ in thousands)	
Current assets	$ 18,578	$ 18,074
Net property, plant and equipment	639,994	550,187
Other assets	14,943	27,449
Total assets	$673,515	$595,710
Current liabilities	$ 21,062	$ 60
Long-term debt	90,546	89,826
Other liabilities	78,888	81,226
Total liabilities	$190,496	171,112

	For the years ended December 31,		
	2000	*1999*	*1998*
		($ in thousands)	
Revenue	$105,202	$102,408	$ 93,784
Operating income	27,415	19,887	27,207
Income taxes	5,721	3,917	5,677
Net income	11,677	7,887	12,950

Summarized financial information for the gas and electric operations (assets held for sale) is set forth below:

	2000	*1999*
	($ in thousands)	
Current assets	$ 127,495	$ 91,176
Net property, plant and equipment	953,328	909,771
Other assets	131,484	59,757
Total assets held for sale	$1,212,307	$1,060,704
Current liabilities	$ 169,066	$ 17,980
Long-term debt	43,980	43,992
Other liabilities	77,529	77,185
Total liabilities related to assets held for sale	$ 290,575	$ 139,157

(6) INVESTMENTS:

The components of investments at December 31, 2000 and 1999 are as follows:

	2000	1999
	($ in thousands)	
Marketable equity securities	$211,086	$243,591
Other fixed income securities	3,055	114,774
State and municipal securities	218	233,021
	$214,359	$591,386

During 2000, we realized approximately $1,100,000 of gross gains and $19,400,000 of gross losses resulting in approximately $397,800,000 of proceeds associated with the sales of state and municipal securities and other fixed income securities.

In January 1999, Centennial was merged with CCW Acquisition Corp., a company organized at the direction of Welsh, Carson, Anderson & Stowe. We were a holder of 1,982,294 shares of Centennial Class B Common Stock. In addition, as a holder of 102,187 shares of Mandatorily Redeemable Convertible Preferred Stock of Centennial, we were required to convert the preferred stock into approximately 2,972,000 shares of Class B Common Stock. We received approximately $205,600,000 in cash for all of our Common Stock interests and approximately $17,500,000 related to accrued dividends on the preferred stock. As a result of the merger, we realized and reported a pre-tax gain of approximately $69,500,000 in the first quarter 1999 in Investment income.

On October 1, 1999, Adelphia Communication Corp. (Adelphia) was merged with Century Communications Corp. (Century). We owned 1,807,095 shares of Century Class A Common Stock. Pursuant to this merger agreement, Century Class A Common shares were exchanged for $10,832,000 in cash and 1,206,705 shares of Adelphia Class A Common Stock (for a total market value of $79,600,000 based on Adelphia's October 1, 1999 closing price of $57.00). As a result of the merger, we realized and reported a pre-tax gain of approximately $67,600,000 in the fourth quarter of 1999 in Investment income.

One of our subsidiaries, in a joint venture with a subsidiary of Century, owned and operated four cable television systems in southern California serving over 90,000 basic subscribers. In July 1999, we entered into a separate agreement with Adelphia to sell our interest in the joint venture. Pursuant to this agreement on October 1, 1999, we received approximately $27,700,000 in cash and 1,852,302 shares of Adelphia Class A Common Stock (for a total market value of $133,300,000 based on Adelphia's October 1, 1999 closing price of $57.00). As a result of the sales, we realized and reported a pre-tax gain of approximately $83,900,000 in the fourth quarter of 1999 in Investment income.

Our Chairman and Chief Executive Officer was also Chairman and Chief Executive Officer of Century prior to its merger with Adelphia. Centennial was a majority-owned subsidiary of Century until it was sold. Our Chairman and Chief Executive Officer is a significant holder of Adelphia shares.

(6) INVESTMENTS: (Continued)

The following summarizes the amortized cost, gross unrealized holding gains and losses and fair market value for investments.

Investment Classification	Amortized Cost	Unrealized Holding Gains	Unrealized Holding (Losses)	Aggregate Fair Market Value
		($ in thousands)		
As of December 31, 2000				
Available-for-Sale	$213,681	$17,853	$(17,175)	$214,359
As of December 31, 1999				
Available-for-Sale	$567,208	$37,025	$(12,847)	$591,386

Marketable equity securities for 2000 and 1999 include an investment of 19% of the equity in Hungarian Telephone and Cable Corp., a company of which our Chairman and Chief Executive Officer is a member of the Board of Directors. This investment declined in value during 1998 and in the fourth quarter of 1998 management determined that the decline was other than temporary. As a result, we recognized an impairment loss on this investment of $31,900,000 in 1998.

In May 1999, in connection with a debt restructuring, we cancelled a note obligation from this investment and a seven-year consulting services agreement in exchange for the issuance to us of 1,300,000 shares of common stock and 30,000 shares of convertible preferred stock. Each share of convertible preferred stock has a liquidation value of $70 and is convertible at our option into 10 shares of common stock.

(7) FAIR VALUE OF FINANCIAL INSTRUMENTS:

The following table summarizes the carrying amounts and estimated fair values for certain of our financial instruments at December 31, 2000 and 1999. For the other financial instruments, representing cash, accounts receivables, long-term debt due within one year, accounts payable and other accrued liabilities, the carrying amounts approximate fair value due to the relatively short maturities of those instruments.

	2000		1999	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	($ in thousands)			
Investments	$ 214,359	$ 214,359	$ 591,386	$ 591,386
Long-term debt	$3,062,289	$2,815,850	$2,107,460	$2,046,541
EPPICS	$ 201,250	$ 213,325	$ 201,250	$ 226,909

The fair value of the above financial instruments are based on quoted prices at the reporting date for those financial instruments.

(8) LONG-TERM DEBT:

	Weighted average interest rate at December 31, 2000	*Maturities*	*December 31,* 2000	1999
			($ in thousands)	
Debentures	7.23%	2001-2046	$1,000,000	$1,000,000
Industrial development revenue bonds	5.63%	2015-2033	385,483	353,494
Senior unsecured notes	6.25%	2004-2012	361,000	361,000
Citizens bank credit facility	7.19%	2002	765,000	—
ELI bank credit facility	6.93%	2002	400,000	260,000
Rural Utilities Service Loan Contracts	5.84%	2001-2027	90,129	91,106
Other long-term debt and capital leases	10.26%	2001-2027	132,546	73,016
Commercial paper notes payable			109,145	—
Total debt			3,243,303	2,138,616
Less: long-term debt due within one year			181,014	31,156
Total long-term debt			$3,062,289	$2,107,460

The total principal amounts of industrial development revenue bonds were $389,535,000 in 2000 and $369,935,000 in 1999. Funds from industrial development revenue bond issuances are held by a trustee until qualifying construction expenditures are made at which time the funds are released. The amounts presented in the table above represent funds that have been used for construction through December 31, 2000 and 1999, respectively.

At December 31, 2000, the commercial paper notes payable were classified as long-term debt because the obligations are expected to be refinanced with long-term debt securities.

We have available lines of credit with financial institutions in the amounts of $5.7 billion, with associated facility fees of 0.10% per annum and $450,000,000 with no associated facility fees. These lines of credit expire on October 26, 2001 and provide us with one-year term-out options. These credit facilities are in addition to credit commitments, under which we may borrow up to $200,000,000, with associated facility fees of 0.12% per annum, which expire on December 16, 2003. As of December 31, 2000, there was $765,000,000 outstanding under the $5.7 billion credit facility, as well as $109,000,000 in commercial paper backed by the $5.7 billion credit facility. ELI has $400,000,000 of committed revolving lines of credit with commercial banks, which expire November 21, 2002, under which it has borrowed $400,000,000 at December 31, 2000. The ELI credit facility has an associated facility fee of 0.08% per annum. We have guaranteed all of ELI's obligations under these revolving lines of credit.

In June 2000, we arranged for the issuance of $19,600,000 of 2000 Series special purpose revenue bonds as money market bonds with an initial interest rate of 4.6% and a maturity date of December 1, 2020.

In April 1999, ELI completed an offering of $325,000,000 million of five-year senior unsecured notes. The notes carry an interest rate of 6.05% and mature on May 15, 2004. We have guaranteed the payment of principal and any premium and interest on the notes when due.

(8) LONG-TERM DEBT: (Continued)

Our installment principal payments, capital leases and maturities of long-term debt for the next five years are as follows:

	2001	2002	2003	2004	2005
			($ in thousands)		
Installment principal payments	$ 2,024	$ 4,688	$4,802	$ 4,876	$5,135
Capital leases	28,990	4,721	2,353	2,599	2,872
Maturities	150,000	1,274,145	—	425,000	—
	$181,014	$1,283,554	$7,155	$432,475	$8,007

Our $100,000,000, 7.68% debentures are included in the 2001 maturities since the debentures are redeemable at par at the option of the holders on October 1, 2001.

Holders of certain industrial development revenue bonds may tender at par prior to maturity. The next tender date is April 1, 2001 for $14,400,000 of principal amount of bonds. We expect to remarket all such bonds which are tendered. In the years 2000, 1999 and 1998, interest payments on short- and long-term debt were $188,955,000, $127,757,000 and $111,038,000, respectively.

(9) COMPANY OBLIGATED MANDATORILY REDEEMABLE CONVERTIBLE PREFERRED SECURITIES:

During the first quarter of 1996, our consolidated wholly-owned subsidiary, Citizens Utilities Trust (the Trust), issued, in an underwritten public offering, 4,025,000 shares of 5% Company Obligated Mandatorily Redeemable Convertible Preferred Securities due 2036 (Trust Convertible Preferred Securities or EPPICS), representing preferred undivided interests in the assets of the Trust, with a liquidation preference of $50 per security (for a total liquidation amount of $201,250,000). The proceeds from the issuance of the Trust Convertible Preferred Securities and a Company capital contribution were used to purchase $207,475,000 aggregate liquidation amount of 5% Partnership Convertible Preferred Securities due 2036 from another wholly owned consolidated subsidiary, Citizens Utilities Capital L.P. (the Partnership). The proceeds from the issuance of the Partnership Convertible Preferred Securities and a Company capital contribution were used to purchase from us $211,756,050 aggregate principal amount of 5% Convertible Subordinated Debentures due 2036. The sole assets of the Trust are the Partnership Convertible Preferred Securities and our Convertible Subordinated Debentures are substantially all the assets of the Partnership. Our obligations under the agreements related to the issuances of such securities, taken together, constitute a full and unconditional guarantee by us of the Trust's obligations relating to the Trust Convertible Preferred Securities and the Partnership's obligations relating to the Partnership Convertible Preferred Securities.

In accordance with the terms of the issuances, we paid the 5% interest on the Convertible Subordinated Debentures in 2000, 1999 and 1998. During 2000, only cash was paid to the Partnership in payment of the interest on the Convertible Subordinated Debentures. The cash was then distributed by the Partnership to the Trust and then by the Trust to the holders of the EPPICS. During 1999, 1,004,961 shares of Common Stock were issued to the Partnership in payment of interest of which 976,464 shares were sold by the Partnership to satisfy cash dividend payment elections by the holders of the EPPICS. The sales proceeds and the remaining 28,497 shares of Common Stock were distributed by the Partnership to the Trust. During 1998, 1,093,274 shares of Common Stock were issued to the Partnership in payment of interest of which 1,009,231 shares were sold by the Partnership to satisfy cash dividend payment elections by the holders of the EPPICS. The sales proceeds and the remaining 84,043 shares of Common Stock were distributed by the Partnership to the Trust. The Trust distributed the cash and shares as dividends to the holders of the EPPICS in 1999 and 1998.

(10) CAPITAL STOCK:

We are authorized to issue up to 600,000,000 shares of Common Stock. Prior to 1999, quarterly stock dividends had been declared and issued on Common Stock and shareholders had the option of enrolling in the "Common Stock Dividend Sale Plan." The plan offered shareholders the opportunity to have their stock dividends sold by the plan broker and the net cash proceeds of the sale distributed to them quarterly.

The amount and timing of dividends payable on Common Stock are within the sole discretion of our Board of Directors. Our Board of Directors discontinued the payment of dividends after the payment of the December 1998 stock dividend. Quarterly stock dividends declared and issued on Common Stock were .75% for each quarter of 1998 for a compounded annual total of 3.03% and an annual stock dividend cash equivalent of 28⁵⁄₁₆c (rounded to the nearest 1/16th).

In December 1999, our Board of Directors authorized the purchase, from time to time, of up to $100,000,000 worth of shares of our common stock. This share purchase program was completed in April 2000 and resulted in the acquisition or contract to acquire approximately 6,165,000 shares of our common stock. Of those shares, 2,500,000 shares were purchased for approximately $40,959,000 in cash and we entered into an equity forward contract for the acquisition of the remaining 3,665,000 shares.

In April 2000, our Board of Directors authorized the purchase, from time to time, of up to an additional $100,000,000 worth of shares of our common stock. This share purchase program was completed in July 2000 and resulted in the acquisition or contract to acquire approximately 5,927,000 shares of our common stock. Of these shares, 452,000 shares were purchased for approximately $8,250,000 in cash and we entered into an equity forward contract for the acquisition of the remaining 5,475,000 shares.

The equity forward contracts do not meet the requirements for presentation within the stockholders' equity section at December 31, 2000. As a result, they have been reflected as a reduction of Stockholders' equity and a component of temporary equity for the gross settlement amount of the contracts. Current accounting rules permit a transition period until June 30, 2001 to amend the contracts to comply with the requirements for permanent equity presentation. If an agreement with the counterparty to the contracts can be reached by June 30, 2001, the current impact of the classification to temporary equity will be reversed and the gross settlement amount will again be presented in permanent equity with no adjustment until final settlement. If an agreement with the counterparty cannot be reached by June 30, 2001, not only will the current impact be reversed as noted above, but we will be required to record the change in fair value of the equity forward from inception to that date as an asset or a liability with the offset recorded as a cumulative effect of change in accounting principle with future changes to the fair value recorded in earnings.

If we were required to apply the guidance required at June 30, 2001, in the accompanying financial statements based on the fair value of the contracts as of December 31, 2000, we would have reflected a charge as a cumulative effect of a change in accounting principle and an offsetting liability of approximately $30 million.

We also purchased 631,000 shares at a cost of $6,625,000 in 1999 to fund EPPICS dividends and 1,811,000 shares at a cost of $14,823,000 in 1998 to fund EPPICS dividends and pay common stock dividends.

In addition to our share purchase programs described above, in April 2000, our Board of Directors authorized the purchase, from time to time, of up to $25,000,000 worth of shares of Class A common stock of ELI, our 85% owned subsidiary, on the open market or in negotiated transactions. This ELI share purchase program was completed in August 2000 and resulted in the acquisition of approximately 1,288,000 shares of ELI common stock for approximately $25,000,000 in cash. In August 2000, our Board of Directors authorized the purchase, from time to time, of up to an additional 1,000,000 shares of ELI on the open market or in negotiated transactions. The second ELI share purchase program was completed in September 2000 and resulted in the acquisition of approximately 1,000,000 shares of ELI common stock for approximately $13,748,000 in cash.

(10) CAPITAL STOCK: (Continued)

The activity in shares of outstanding common stock during 2000, 1999, and 1998 is summarized as follows:

	Number of Shares
Balance at January 1, 1998	250,994,000
Acquisitions	532,000
Common stock dividends	7,657,000
Common stock buybacks	(1,811,000)
Common stock issued to fund dividends	1,093,000
Stock plans	684,000
Balance at December 31, 1998	259,149,000
Common stock buybacks	(631,000)
Common stock issued to fund EPPICS dividends	1,005,000
Stock plans	2,553,000
Balance at December 31, 1999	262,076,000
Acquisitions	111,000
Stock plans	3,581,000
Balance at December 31, 2000	265,768,000

As of December 31, 2000, we had 268,875,000 shares issued of which 3,107,000 shares were held as Treasury Stock. We have 50,000,000 authorized but unissued shares of preferred stock ($.01 par).

(11) STOCK PLANS:

At December 31, 2000, we have four stock based compensation plans and ELI has two stock based plans which are described below. We apply APB Opinion No. 25 and related interpretations in accounting for the employee stock plans. No compensation cost has been recognized in the financial statements for options issued pursuant to the Management Equity Incentive Plan (MEIP), Equity Incentive Plan (EIP), or ELI Equity Incentive Plan (ELI EIP) as the exercise price for such options was equal to the market price of the stock at the time of grant and no transactions or modifications which would require a compensation charge have occurred subsequent to the grant. No compensation cost has been recognized in the financial statements related to the Employee Stock Purchase Plan (ESPP) and ELI Employee Stock Purchase Plan (ELI ESPP) because the purchase price is 85% of the fair value. Compensation cost recognized for our Directors' Deferred Fee Equity Plan was $691,956, $481,540 and $463,798 in 2000, 1999 and 1998, respectively.

We have granted restricted stock awards to key employees in the form of our Common Stock. The number of shares issued as restricted stock awards during 2000, 1999 and 1998 were 3,120,000, 901,200 and 464,000, respectively. None of the restricted stock awards may be sold, assigned, pledged or otherwise transferred, voluntarily or involuntarily, by the employees until the restrictions lapse. The restrictions are both time and performance based. At December 31, 2000, 4,262,000 shares of restricted stock were outstanding. Compensation expense of $9,084,000, $2,574,000 and $2,096,000 for the years ended December 31, 2000, 1999 and 1998, respectively, has been recorded in connection with these grants.

(11) STOCK PLANS: (Continued)

Had we determined compensation cost based on the fair value at the grant date for its MEIP. EIP. ESPP. ELI ESPP and ELI EIP, our pro forma Net income (loss) and Net income (loss) per common share would have been as follows:

		2000	1999	1998
		($ in thousands, except per share amounts)		
Net Income (loss)	As reported	$(28,394)	$144,486	$57,060
	Pro forma	(51,270)	130,613	46,005
Net Income (loss) per common share	As reported:			
	Basic	$ (.11)	$ .55	$ .22
	Diluted	(.11)	.55	.22
	Pro forma:			
	Basic	$ (.20)	$ .50	$ .18
	Diluted	(.20)	.50	.18

The full impact of calculating compensation cost for stock options is not reflected in the pro forma amounts above because pro forma compensation cost only includes costs associated with the vested portion of options granted pursuant to the MEIP, EIP, ESPP, ELI ESPP and ELI EIP on or after January 1, 1995.

In November 1998, the Compensation Committee of our Board of Directors approved a stock option exchange program pursuant to which current employees (excluding senior executive officers) holding outstanding options, under the MEIP and EIP plans, with an exercise price in excess of $10.00 had the right to exchange their options for a lesser number of new options with an exercise price of $7.75. A calculation was prepared using the Black Scholes option pricing model to determine the exchange rate for each eligible grant in order to keep the fair value of options exchanged equal to the fair value of the options reissued. The exchanged options maintain the same vesting and expiration terms. This stock option exchange program had no impact on reported earnings and resulted in an aggregate net reduction in shares subject to option of 2,202,000 for both MEIP and EIP.

In August 1998, the Compensation Committee of ELI's Board of Directors approved a stock option exchange program pursuant to which employees of ELI holding outstanding options with an exercise price in excess of $15.50 had the right to exchange all or half of their options for a lesser number of new options with an exercise price of $8.75. A calculation was prepared using the Black Scholes option pricing model to determine the exchange rate for each eligible grant in order to keep the fair value of options exchanged equal to the fair value of the options reissued. The repriced options maintain the same vesting and expiration terms. This stock option exchange program had no impact on reported results and resulted in a net reduction in shares subject to option of 546,000.

Both ELI and us repriced these employee stock options on August 7, 1998 and December 11, 1998, respectively, in an effort to retain employees at a time when a significant percentage of employee stock options had exercise prices that were above fair market value. No compensation costs have been recognized in the financial statements as the exercise price was equal to the market value of the stock at the date of the repricing. Under accounting rules promulgated subsequent to December 15, 1998, any future repricings could be considered compensable and therefore would result in compensation cost in the statement of income.

Management Equity Incentive Plan

Under the MEIP, awards of our Common Stock may be granted to eligible officers, management employees and non-management employees in the form of incentive stock options, non-qualified stock options, stock appreciation rights (SARs), restricted stock or other stock-based awards. The Compensation Committee of the Board of Directors administers the MEIP.

(11) STOCK PLANS: (Continued)

The maximum number of shares of common stock which may be issued pursuant to awards at any time is 5% (13,133,029 as of December 31, 2000) of our common stock outstanding. Since the expiration date of the MEIP plan, no awards can be granted under the MEIP. The exercise price of stock options and SARs issued were equal to or greater than the fair market value of the underlying common stock on the date of grant. Stock options are generally not exercisable on the date of grant but vest over a period of time. Under the terms of the MEIP, subsequent stock dividends and stock splits have the effect of increasing the option shares outstanding, which correspondingly decreases the average exercise price of outstanding options.

The following is a summary of share activity subject to option under the MEIP.

	Shares Subject to Option	*Weighted Average Option Price Per Share*
Balance at January 1, 1998	11,704,000	$10.72
Options granted	1,869,000	7.75
Options exercised	(29,000)	10.56
Options canceled, forfeited or lapsed	(4,109,000)	11.09
Balance at December 31, 1998	9,435,000	9.91
Options granted	1,844,000	8.00
Options exercised	(602,000)	8.20
Options canceled, forfeited or lapsed	(396,000)	8.08
Balance at December 31, 1999	10,281,000	9.73
Options granted	26,000	16.26
Options exercised	(3,103,000)	9.96
Options canceled, forfeited or lapsed	(283,000)	7.79
Balance at December 31, 2000	6,921,000	$ 9.72

In 1998, as a result of the stock option exchange program approved by the Compensation Committee of the Board of Directors, a total of 3,801,000 options were eligible for exchange, of which 3,554,000 options were canceled in exchange for 1,869,000 new options with an exercise price of $7.75.

The following table summarizes information about shares subject to options under the MEIP at December 31, 2000.

Options Outstanding				*Options Exercisable*	
Number Outstanding	*Range of Exercise Prices*	*Weighted Average Exercise Price*	*Weighted Average Remaining Life in Years*	*Number Exercisable*	*Average Exercise Price*
14,000	$ 4 – 5	$ 4	4	14,000	$ 4
2,590,000	7 – 8	8	5	1,679,000	8
944,000	8 – 10	9	7	944,000	9
1,919,000	10 – 11	11	4	1,805,000	11
894,000	11 – 14	12	4	741,000	13
535,000	14 – 15	14	3	535,000	14
25,000	15 – 17	17	9	—	—
6,921,000	$ 4 – 17	$10	5	5,718,000	$10

(11) STOCK PLANS: (Continued)

The weighted average fair value of options granted during 2000, 1999 and 1998 were $7.09, $3.17 and $2.27, respectively. For purposes of the pro forma calculation, the fair value of each option grant is estimated on the date of grant using the Black Scholes option pricing model with the following weighted average assumptions used for grants in 2000, 1999 and 1998:

	2000	*1999*	*1998*
Dividend yield	—	—	—
Expected volatility	30%	29%	26%
Risk-free interest rate	6.27%	5.32%	4.43%
Expected life	6 years	6 years	4 years

Equity Incentive Plan

In May 1996, our shareholders approved the EIP. Under the EIP, awards of our Common Stock may be granted to eligible officers, management employees and non-management employees in the form of incentive stock options, non-qualified stock options, stock appreciation rights (SARs), restricted stock or other stock-based awards. The Compensation Committee of the Board of Directors administers the EIP.

The maximum number of shares of common stock which may be issued pursuant to awards at any time is 12,858,000 shares, which has been adjusted for subsequent stock dividends. No awards will be granted more than 10 years after the effective date (May 23, 1996) of the EIP. The exercise price of stock options and SARs shall be equal to or greater than the fair market value of the underlying common stock on the date of grant. Stock options are generally not exercisable on the date of grant but vest over a period of time.

Under the terms of the EIP, subsequent stock dividends and stock splits have the effect of increasing the option shares outstanding, which correspondingly decrease the average exercise price of outstanding options.

The following is a summary of share activity subject to option under the EIP.

	Shares Subject to Option	*Weighted Average Option Price Per Share*
Balance at January 1, 1998	2,194,000	$ 8.55
Options granted	4,683,000	9.34
Options canceled, forfeited or lapsed	(2,745,000)	10.14
Balance at December 31, 1998	4,132,000	8.51
Options granted	3,487,000	8.64
Options exercised	(361,000)	8.46
Options canceled, forfeited or lapsed	(679,000)	8.40
Balance at December 31, 1999	6,579,000	8.59
Options granted	5,758,000	13.31
Options exercised	(1,023,000)	8.21
Options canceled, forfeited or lapsed	(614,000)	10.27
Balance at December 31, 2000	10,700,000	11.37

As a result of the stock option exchange program approved by the Compensation Committee of the Board of Directors, a total of 2,453,000 options were eligible for exchange, of which 2,123,000 options were canceled in exchange for 1,606,000 new options with an exercise price of $7.75.

(11) STOCK PLANS: (Continued)

The following table summarizes information about shares subject to options under the EIP at December 31, 2000.

Options Outstanding				Options Exercisable	
Number Outstanding	*Range of Exercise Prices*	*Weighted Average Exercise Price*	*Weighted Average Remaining Life in Years*	*Number Exercisable*	*Weighted Average Exercise Price*
2,838,000	$ 7 – 8	$ 8	8	1,212,000	$ 8
1,091,000	8 – 9	9	7	1,079,000	9
102,000	9 – 10	9	7	48,000	9
289,000	10 – 11	10	7	178,000	10
6,240,000	11 – 15	14	10	604,000	13
140,000	15 – 19	18	10	—	—
10,700,000	$ 7 – 19	$11	8	3,121,000	$ 9

The weighted average fair value of options granted during 2000, 1999 and 1998 was $6.31, $3.46 and $3.54, respectively. For purposes of the pro forma calculation, the fair value of each option grant is estimated on the date of grant using the Black Scholes option pricing model with the following weighted average assumptions used for grants in 2000, 1999 and 1998:

	2000	*1999*	*1998*
Dividend yield	—	—	—
Expected volatility	30%	29%	26%
Risk-free interest rate	5.82%	5.47%	5.15%
Expected life	6 years	6 years	6 years

Employee Stock Purchase Plan

Our ESPP was approved by shareholders on June 12, 1992 and amended on May 22, 1997. Under the ESPP, eligible employees have the right to subscribe to purchase shares of our Common Stock at the lesser of 85% of the mean between the high and low market prices on the first day of the purchase period or on the last day of the purchase period. An employee may elect to have up to 20% of annual base pay withheld in equal installments throughout the designated payroll-deduction period for the purchase of shares. The value of an employee's subscription may not exceed $25,000 in any one calendar year. An employee may not participate in the ESPP if such employee owns stock possessing 5% or more of the total combined voting power or value of our capital stock. As of December 31, 2000, there were 6,407,195 shares of Common Stock reserved for issuance under the ESPP. These shares may be adjusted for any future stock dividends or stock splits. The ESPP will terminate when all shares reserved have been subscribed for and purchased, unless terminated earlier or extended by the Board of Directors. The Compensation Committee of the Board of Directors administers the ESPP. As of December 31, 2000, the number of employees enrolled and participating in the ESPP was 2,172 and the total number of shares purchased under the ESPP was 3,620,272. For purposes of the pro forma calculation, compensation cost is recognized for the fair value of the employees' purchase rights, which was estimated using the Black Scholes option pricing model with the following assumptions for subscription periods beginning in 2000, 1999 and 1998:

	2000	*1999*	*1998*
Dividend yield	—	—	—
Expected volatility	30%	29%	26%
Risk-free interest rate	6.23%	5.24%	4.91%
Expected life	6 months	6 months	6 months

(11) STOCK PLANS: (Continued)

The weighted average fair value of those purchase rights granted in 2000, 1999 and 1998 was $3.26, $2.47 and $2.05, respectively.

ELI Employee Stock Purchase Plan

The ELI ESPP was approved by shareholders on May 21, 1998. Under the ELI ESPP, eligible employees of ELI may subscribe to purchase shares of ELI Class A Common Stock at the lesser of 85% of the average of the high and low market prices on the first day of the purchase period or on the last day of the purchase period. An employee may elect to have up to 20% of annual base pay withheld in equal installments throughout the designated payroll-deduction period for the purchase of shares. The value of an employee's subscription may not exceed $25,000 in any one calendar year. An employee may not participate in the ELI ESPP if such employee owns stock possessing 5% or more of the total combined voting power or value of all classes of capital stock of ELI. As of December 31, 2000, there were 1,950,000 shares of ELI Class A Common Stock reserved for issuance under the ELI ESPP. These shares may be adjusted for any future stock dividends or stock splits. The ELI ESPP will terminate when all shares reserved have been subscribed for and purchased, unless terminated earlier or extended by the Board of Directors. The ELI ESPP is administered by the Compensation Committee of ELI's Board of Directors. As of December 31, 2000, the number of employees enrolled and participating in the ELI ESPP was 652 and the total number of shares purchased under the ELI ESPP was 585,813. For purposes of the pro forma calculation, compensation cost is recognized for the fair value of the employees' purchase rights, which was estimated using the Black Scholes option pricing model with the following assumptions for subscription periods beginning in 2000, 1999 and 1998:

	2000	*1999*	*1998*
Dividend yield	—	—	—
Expected volatility	87%	66%	71%
Risk-free interest rate	6.29%	5.25%	4.92%
Expected life	6 months	6 months	6 months

The weighted average fair value of those purchase rights granted in 2000, 1999 and 1998 was $4.59, $4.97 and $3.82, respectively.

ELI Equity Incentive Plan

In October 1997, the Board of Directors of ELI approved the ELI EIP. Under the ELI EIP, awards of ELI's Class A Common Stock may be granted to eligible directors, officers, management employees, non-management employees and consultants of ELI in the form of incentive stock options, non-qualified stock options, SARs, restricted stock or other stock-based awards. The Compensation Committee of the ELI Board of Directors administers the ELI EIP. The exercise price for such awards shall not be less than 85% or more than 110% of the average of the high and low stock prices on the date of grant. The exercise period for such awards is generally 10 years from the date of grant. ELI has reserved 6,670,600 shares for issuance under the terms of this plan.

(11) STOCK PLANS: (Continued)

The following is a summary of share activity subject to option under the ELI EIP.

	Shares Subject to Option	*Weighted Average Option Price Per Share*
Balance at January 1, 1998	2,326,000	$16.00
Options granted	1,654,000	10.77
Options canceled, forfeited or lapsed	(1,649,000)	16.21
Balance at December 31, 1998	2,331,000	12.14
Options granted	1,989,000	9.51
Options exercised	(116,000)	9.73
Options canceled, forfeited or lapsed	(680,000)	10.12
Balance at December 31, 1999	3,524,000	10.96
Options granted	2,720,000	19.08
Options exercised	(456,000)	11.00
Options canceled, forfeited or lapsed	(1,017,000)	13.63
Balance at December 31, 2000	4,771,000	15.05

In 1998, as a result of the stock option exchange program approved by the ELI Compensation Committee of the Board of Directors, a total of 2,212,000 options were eligible for exchange, of which 1,426,000 options were canceled in exchange for 880,000 new options in August 1998.

The following table summarizes information about shares subject to options under the ELI EIP at December 31, 2000.

Options Outstanding				*Options Exercisable*	
Number Outstanding	*Range of Exercise Prices*	*Weighted Average Exercise Price*	*Weighted Average Remaining Life in Years*	*Number Exercisable*	*Weighted Average Exercise Price*
29,000	$ 3 – 8	$ 6	9	3,000	$ 7
1,611,000	8 – 12	9	8	990,000	9
856,000	12 – 19	16	8	651,000	16
2,275,000	19 – 23	19	10	1,000	22
4,771,000	$ 3 – 23	$15	9	1,645,000	$12

For purposes of the pro forma calculation, compensation cost is recognized for the fair value of the employees' purchase rights, which was estimated using the Black Scholes option pricing model with the following assumptions for subscription periods beginning in 2000, 1999 and 1998:

	2000	*1999*	*1998*
Dividend yield	—	—	—
Expected volatility	87%	66%	71%
Risk-free interest rate	7.23%	5.34%	5.44%
Expected life	6 years	6 years	6 years

The weighted-average fair value of those options granted in 2000, 1999 and 1998 were $14.75, $6.16 and $6.94, respectively.

(11) STOCK PLANS: (Continued)

ELI has granted 725,000 restricted stock awards to key employees in the form of Class A Common Stock since its IPO. These restrictions lapse based on meeting specific performance targets. At December 31, 2000, 606,000 shares of this stock were outstanding, of which 396,000 shares are no longer restricted. Compensation expense was recorded in connection with these grants in the amounts of $1,422,000, $2,559,000 and $4,666,000 for the years ended December 31, 2000, 1999 and 1998, respectively.

Directors' Deferred Fee Equity Plan

Effective June 30, 2000, the annual retainer paid to non-employee directors was eliminated. In replacement, each non-employee director elected, by August 1, 2000, to receive either 2,500 stock units or 10,000 stock options. Starting in 2001, each non-employee director will elect, by December 1 of the prior year, to receive either 5,000 stock units or 20,000 stock options. Directors making a stock unit election must also elect to receive payment in either stock or cash upon retirement from the Board of Directors. Stock options have an exercise price of the fair market value on the date of grant, are exercisable six months after the date of grant and have a 10-year term. Options granted pursuant to the June 30, 2000 plan are subject to shareholder approval in 2001. The Formula Plan described below also remains in effect until its expiration in 2002.

From January 1, 2000 through June 30, 2000, the non-employee directors had the choice to receive 50% or 100% of their fees paid in either stock or stock units. If stock was elected, the stock was granted at the average of the high and low on the first trading date of the year (Initial Market Value). If stock units were elected, they were purchased at 85% of the Initial Market Value. Stock units (except in an event of hardship) are held by us until retirement or death.

Our original Non-Employee Directors' Deferred Fee Equity Plan (the Directors' Plan) was approved by shareholders on May 19, 1995 and subsequently amended. The Directors' Plan included an Option Plan, a Stock Plan and a Formula Plan. On December 31, 1999, the Option Plan and the Stock Plan expired in accordance with the Plan's terms.

Through the Option Plan, an eligible director could have elected to receive up to $30,000 per annum of his or her director's fee retainer, for a period of up to five years, in the form of options to purchase our common stock. The number of options granted was calculated by dividing the dollar amount elected by 20% of the fair market value of our common stock on the effective date of the options. The options are exercisable at 90% of the fair market value of our common stock on the effective date of the options.

Through the Stock Plan, an eligible director elected to receive all or a portion of his or her director's fees in the form of Plan Units, the number of such Plan Units being equal to such fees divided by the fair market value of our common stock on certain specified dates. In the event of termination of Directorship, a Stock Plan participant will receive the value of such Plan Units in either stock or cash or installments of cash as selected by the Participant at the time of the related Stock Plan election.

The Formula Plan provides each Director options to purchase 5,000 shares of common stock on the first day of each year beginning in 1997 and continuing through 2002 regardless of whether the Director is participating in the Option Plan or Stock Plan. In addition, on September 1, 1996, options to purchase 2,500 shares of common stock were granted to each Director. The exercise price of the options are 100% of the fair market value on the date of grant and the options are exercisable six months after the grant date and remain exercisable for ten years after the grant date.

As of any date, the maximum number of shares of common stock which the Plan was obligated to deliver pursuant to the Directors' Plan shall not be more than one percent (1%) of the total outstanding shares of our Common Stock as of such date, subject to adjustment in the event of changes in our corporate structure affecting capital stock. There were 10 directors participating in the Directors' Plan in 2000. In 2000, the total Options, Plan Units and stock earned were 203,969, 52,521, and 2,860, respectively. In 1999, the total Options and Plan Units earned were 153,969 and 15,027, respectively. In 1998, the total Options and Plan Units earned were 185,090 and 16,661, respectively. At December 31, 2000, 825,446 options were exercisable at a weighted average exercise price of $11.41.

(11) STOCK PLANS: (Continued)

We had also maintained a Non-Employee Directors' Retirement Plan providing for the payment of specified sums annually to our non-employee directors, or their designated beneficiaries, starting at their retirement, death or termination of directorship of each individual director. In 1999, we terminated this Plan. In connection with the termination, the value as of May 31, 1999, of the vested benefit of each non-employee director was credited to him/her in the form of stock units. Such benefit will be payable upon retirement, death or termination of the directorship. Each participant had until July 15, 1999 to elect whether the value of the stock units awarded would be payable in our common stock (convertible on a one for one basis) or in cash. As of December 31, 2000, the liability for such payments was $3.4 million of which $1.6 million will be payable in stock (based on the July 15, 1999 stock price) and $1.8 million will be payable in cash. While the number of shares of stock payable to those directors electing to be paid in stock was fixed, the amount of cash payable to those directors electing to be paid in cash will be based on the number of stock units awarded times the stock price at the payment date.

(12) 1999 RESTRUCTURING CHARGES:

In the fourth quarter of 1999, we approved a plan to restructure our corporate office activities. In connection with this plan, we recorded a pre-tax charge of $5,760,000 in other operating expenses in the fourth quarter of 1999. The restructuring resulted in the reduction of 49 corporate employees. All affected employees were communicated with in the early part of November 1999.

As of December 31, 2000, approximately $4,214,000 has been paid, 42 employees were terminated and 5 employees who were expected to be terminated took other positions within the company. The remaining 2 employees will be terminated during 2001. At December 31, 2000, we adjusted our original accrual down by $1,008,000 and the remaining accrual of $538,000 is included in other current liabilities. These costs are expected to be paid in the first quarter of 2001.

(13) INCOME TAXES:

The following is a reconciliation of the provision for income taxes computed at federal statutory rates to the effective rates:

	2000	1999	1998
Consolidated tax provision at federal statutory rate	35.0%	35.0%	35.0%
State income tax provisions (benefit), net of federal income tax	(6.4%)	1.1%	1.0%
Allowance for funds used during construction	2.8%	(0.8%)	(2.5%)
Nontaxable investment income	5.4%	(1.2%)	(4.4%)
Amortization of investment tax credits	1.9%	(0.6%)	(1.9%)
Flow through depreciation	(8.5%)	2.8%	7.5%
Tax reserve adjustment	(5.6%)	0.6%	(6.9%)
Company owned life insurance	(2.2%)	1.2%	0.8%
Minority interest	8.7%	(3.8%)	(3.5%)
All other, net	1.2%	0.1%	(1.1%)
	32.3%	34.4%	24.0%

As of December 31, 2000 and 1999, accumulated deferred income taxes amounted to $482,278,000 and $450,903,000, respectively, and the unamortized deferred investment tax credits amounted to $8,209,000 and $9,305,000, respectively. Income taxes paid during the year were $37,935,000, $885,000 and $5,434,000 for 2000, 1999 and 1998, respectively.

(13) INCOME TAXES: (Continued)

The components of the net deferred income tax liability at December 31 are as follows:

	2000	1999
	($ in thousands)	
DEFERRED INCOME TAX LIABILITIES:		
Property, plant and equipment basis differences	$424,378	$381,278
Regulatory assets	65,977	69,757
Other, net	10,597	20,523
Total deferred income tax liability	500,952	471,558
DEFERRED INCOME TAX ASSETS:		
Regulatory liabilities	7,308	7,663
Deferred investment tax credits	3,157	3,687
Total deferred income tax asset	10,465	11,350
Net deferred income tax liability	$490,487	$460,208

The provision for federal and state income taxes, as well as the taxes charged or credited to shareholders' equity, includes amounts both payable currently and deferred for payment in future periods as indicated below:

	2000	1999	1998
		($ in thousands)	
Income taxes charged (credited) to the income statement for continuing operations:			
Current:			
Federal	$(66,759)	$ 45,922	$ (5,284)
State	(2,588)	2,334	(259)
Total current	(69,347)	48,256	(5,543)
Deferred:			
Federal	46,647	26,584	22,217
Investment tax credits	(931)	(1,366)	(1,312)
State	7,499	1,426	1,298
Total deferred	53,215	26,644	22,203
Subtotal	(16,132)	74,900	16,660
Income taxes charged (credited) to the income statement for discontinued operations:			
Current:			
Federal	2,749	(17)	3,640
State	418	(3)	553
Total current	3,167	(20)	4,193
Deferred:			
Federal	2,260	3,595	1,583
Investment tax credits	(326)	(320)	(315)
State	620	662	216
Total deferred	2,554	3,937	1,484
Subtotal	5,721	3,917	5,677

(13) INCOME TAXES: (Continued)

	2000	1999	1998
	($ in thousands)		
Income tax benefit on dividends on convertible preferred securities:			
Current:			
Federal	(3,344)	(3,344)	(3,344)
State	(508)	(508)	(508)
Subtotal	(3,852)	(3,852)	(3,852)
Income tax benefit on cumulative effect of change in accounting principle:			
Current:			
Federal	—	—	(478)
State	—	—	—
Subtotal	—	—	(478)
Total income taxes charged to the income statement (a)	(14,263)	74,965	18,007
Income taxes charged (credited) to shareholders' equity:			
Deferred income taxes (benefits) on unrealized gains or losses on securities classified as available-for-sale	(8,997)	(25,906)	32,792
Current benefit arising from stock options exercised	(7,392)	(1,262)	(35)
Income taxes charged (credited) to shareholders' equity (b)	(16,389)	(27,168)	32,757
Total income taxes: (a) plus (b)	$(30,652)	$ 47,797	$50,764

Our alternative minimum tax credit as of December 31, 2000 is $91,370,000, which can be carried forward indefinitely to reduce future regular tax liability. This benefit is presented as a reduction of accrued income taxes.

(14) NET INCOME (LOSS) PER COMMON SHARE:

The reconciliation of the net income (loss) per common share calculation for the years ended December 31, 2000, 1999 and 1998 is as follows:

	2000			1999			1998		
	Loss	*Shares*	*Per Share*	*Income*	*Shares*	*Per Share*	*Income*	*Shares*	*Per Share*
	($ in thousands, except per share amounts)								
Basic	$(28,394)	261,744	$(0.11)	$144,486	260,481	$0.55	$57,060	258,879	$0.22
Effect of dilutive options	—	5,187	—	—	1,779	—	—	742	—
Diluted	$(28,394)	266,931	$(0.11)	$144,486	262,260	$0.55	$57,060	259,621	$0.22

All share amounts represent weighted average shares outstanding for each respective period. The diluted net income (loss) per common share calculation excludes the effect of potentially dilutive shares when their exercise price exceeds the average market price over the period. We have 4,025,000 shares of potentially dilutive Mandatorily Redeemable Convertible Preferred Securities which are convertible into common stock at a 3.76 to 1 ratio at an exercise price of $13.30 per share and 161,250 potentially dilutive stock options at a range of $16.69 to $18.53 per share. These items were not included in the diluted net income (loss) per common share calculation for any of the above periods as their effect was antidilutive.

(15) COMPREHENSIVE INCOME (LOSS):

Our other comprehensive income (loss) for the years ended December 31, 2000, 1999 and 1998 is as follows:

	2000		
	Before-Tax Amount	*Tax Expense (Benefit)*	*Net-of-Tax Amount*
		($ in thousands)	
Net unrealized losses on securities:			
Net unrealized holding losses arising during period	$ (40,377)	$(15,457)	$(24,920)
Add: Reclassification adjustments for net losses realized in net loss	16,875	6,460	10,415
Other comprehensive loss	$ (23,502)	$ (8,997)	$(14,505)

	1999		
	Before-Tax Amount	*Tax Expense (Benefit)*	*Net-of-Tax Amount*
		($ in thousands)	
Net unrealized gains on securities:			
Net unrealized holding gains arising during period	$ 56,746	$ 21,722	$ 35,024
Less: Reclassification adjustments for net gains realized in net income	124,421	47,628	76,793
Other comprehensive loss	$ (67,675)	$(25,906)	$(41,769)

	1998		
	Before-Tax Amount	*Tax Expense (Benefit)*	*Net-of-Tax Amount*
		($ in thousands)	
Net unrealized gains on securities:			
Net unrealized holding gains arising during period	$ 56,497	$ 21,627	$ 34,870
Add: Reclassification adjustments for net losses realized in net income	29,167	11,165	18,002
Other comprehensive income	$ 85,664	$ 32,792	$ 52,872

(16) SEGMENT INFORMATION:

We operate in four segments, ILEC, ELI, gas and electric. The ILEC segment provides both regulated and competitive communications services to residential, business and wholesale customers. ELI is a facilities based integrated communications provider offering a broad range of communications services in the western United States. We own 85% of ELI and guarantee all of ELI's long-term debt, one of its capital leases and one of its operating leases. Our gas and electric segments, which are intended to be sold and are classified as "assets held for sale" and "liabilities related to assets held for sale," were previously reported as discontinued operations (see Note 5).

Adjusted EBITDA is operating income (loss) plus depreciation and amortization. EBITDA is a measure commonly used to analyze companies on the basis of operating performance. It is not a measure of financial performance under generally accepted accounting principles and should not be considered as an alternative to net income as a measure of performance nor as an alternative to cash flow as a measure of liquidity and may not be comparable to similarly titled measures of other companies.

(16) SEGMENT INFORMATION: (Continued)

	For the year ended December 31, 2000					
	ILEC	*ELI*	*Gas*	*Electric*	*Eliminations*	*Total Segment*
			($ in thousands)			
Revenue	$ 963,743	$243,977	$374,751	$223,072	$(3,185)[1]	$1,802,358
Depreciation	276,250	61,663	19,228	28,629	1,837[2]	387,607
Operating Income (Loss)	157,896	(59,876)	8,268	15,226	287[2][3]	121,801
Adjusted EBITDA	434,146	1,787	27,496	43,855	2,124[3]	509,408
Capital Expenditures, net	350,209	112,285[4]	51,456	29,483	—	543,433
Assets	3,558,562	949,774	667,651	544,656	—	5,720,643

	For the year ended December 31, 1999					
	ILEC	*ELI*	*Gas*	*Electric*	*Eliminations*	*Total Segments*
			($ in thousands)			
Revenue	$ 903,237	$187,008	$306,986	$203,822	$(2,817)[1]	$1,598,236
Depreciation	226,141	36,505	22,203	25,552	(216)	310,185
Operating Income (Loss)	100,910	(94,066)	32,024	30,268	1,224[3]	70,360
Adjusted EBITDA	327,051	(57,561)	54,227	55,820	1,008[3]	380,545
Capital Expenditures, net	227,176	185,395[4]	66,951	43,540	—	523,062
Assets	2,422,572	775,234	590,713	469,991	—	4,258,510

	For the year ended December 31, 1998					
	ILEC	*ELI*	*Gas*	*Electric*	*Eliminations*	*Total Segments*
			($ in thousands)			
Revenue	$ 835,039	$100,880	$225,423	$190,307	$(3,062)[1]	$1,448,588
Depreciation	181,656	17,002	24,084	22,733	—[2]	245,475
Operating Income (Loss)	154,506	(73,783)	42,225	27,093	921[2][3]	150,962
Adjusted EBITDA	336,162	(56,781)	66,309	49,826	921[3]	396,437
Capital Expenditures, net	201,453	200,000	45,768	18,895	—	466,116

(1) Represents revenue received by ELI from our ILEC operations.

(2) Represents amortization of the capitalized portion of intercompany interest related to our guarantees of ELI debt and leases and amortization of goodwill related to our purchase of ELI stock (see Note 10).

(3) Represents the administrative services fee charged to ELI pursuant to the management services agreement between ELI and us.

(4) Does not include approximately $102,000,000 and $60,000,000 of non-cash capital lease additions in 2000 and 1999, respectively.

In the fourth quarter of 2000, we settled a proceeding with the Louisiana Public Service Commission. Louisiana Gas Service, our subsidiary, refunded approximately $27 million to ratepayers during the month of January 2001, effected as a credit on customers' bills. As a result, we recorded approximately $29.7 million of charges to earnings in the fourth quarter of 2000. This amount included a reduction to revenue for the refund to customers of approximately $27 million and legal fees of approximately $2.7 million. The Louisiana Gas Service business is to be sold to Atmos Energy Co. and the sale is expected to close in the first half of 2001 following regulatory approval (see Note 5).

(16) SEGMENT INFORMATION: (Continued)

The following tables are reconciliations of certain sector items to the total consolidated amount.

	For the year ended December 31.		
	2000	1999	1998
	($ in thousands)		
Adjusted EBITDA			
Total Segment Adjusted EBITDA	$509,408	$380,545	$396,437
Discontinued Operations Adjusted EBITDA	45,640	36,218	39,576
Consolidated Adjusted EBITDA	$555,048	$416,763	$436,013
Capital Expenditures			
Total segment capital expenditures	$543,433	$523,062	$466,116
General capital expenditures	1,396	6,599	25,122
Change in accrued construction work in progress	(8,190)	43,669	(13,262)
Consolidated reported capital expenditures	$536,639	$573,330	$477,976

Assets	December 31.	
	2000	1999
	($ in thousands)	
Total segment assets	$5,720,643	$4,258,510
General assets	560,848	917,525
Discontinued operations assets	673,515	595,710
Consolidated reported assets	$6,955,006	$5,771,745

(16) SEGMENT INFORMATION: (Continued)

	For the year ended December 31, 2000						
	ILEC	ELI	Gas	Electric	Discontinued Operations	Eliminations	Consolidated Total
				($ in thousands)			
Revenue	$963,743	$ 243,977	$ 374,751	$223,072	$ —	$ (3,185)	$1,802,358
Operating expenses:							
Cost of services	34,508	74,105	229,538	113,965	—	(2,995)	449,121
Depreciation and amortization	276,250	61,663	19,228	28,629	—	1,837	387,607
Other operating expenses	455,160	168,085	117,717	65,252	—	(2,314)	803,900
Acquisition assimilation expense	39,929	—	—	—	—	—	39,929
Total operating expenses	805,847	303,853	366,483	207,846	—	(3,472)	1,680,557
Operating income (loss)	157,896	(59,876)	8,268	15,226	—	287	121,801
Investment income, net	4,423	—	—	313	—	—	4,736
Other income (loss), net	(5,744)	(402)	4,419	341	—	—	(1,386)
Minority interest	12,222	—	—	—	—	—	12,222
Interest expense	103,979	75,784	18,097	17,959	—	(28,453)	187,366
Income (loss) from continuing operations before income taxes and dividends on convertible preferred securities	64,818	(136,062)	(5,410)	(2,079)	—	28,740	(49,993)
Income tax expense (benefit)	(14,115)	400	(1,746)	(671)	—	—	(16,132)
Income (loss) from continuing operations before dividends on convertible preferred securities	78,933	(136,462)	(3,664)	(1,408)	—	28,740	(33,861)
Dividends on convertible preferred securities, net of income tax benefit	6,210	—	—	—	—	—	6,210
Income (loss) from continuing operations	72,723	(136,462)	(3,664)	(1,408)	—	28,740	(40,071)
Income from discontinued operations, net of tax	—	—	—	—	11,677	—	11,677
Net income (loss)	$ 72,723	$(136,462)	$ (3,664)	$ (1,408)	$11,677	$28,740	$ (28,394)

(17) QUARTERLY FINANCIAL DATA (UNAUDITED):

2000	Revenue	Net Income (Loss)	Net Income (Loss) per Common Share Basic	Net Income (Loss) per Common Share Diluted
	($ in thousands, except per share amounts)			
First quarter	$448,702	$ 7,326	$ 0.03	$ 0.03
Second quarter	418,607	3,012	0.01	0.01
Third quarter	452,710	1,467	0.01	0.01
Fourth quarter	482,339	(40,199)	(0.15)	(0.15)

1999	Revenue	Net Income	Net Income per Common Share Basic	Net Income per Common Share Diluted
	($ in thousands, except per share amounts)			
First quarter	$414,780	$ 54,625	$ 0.21	$ 0.21
Second quarter	390,063	7,753	0.03	0.03
Third quarter	397,141	11,908	0.05	0.05
Fourth quarter	396,252	70,200	0.27	0.26

Fourth quarter 2000 results include an after tax charge of approximately $18,400,000, or 9¢ per share, related to the settlement of a proceeding with the Louisiana Public Service Commission (see Note 20).

First quarter 1999 results include an after tax gain of approximately $42,900,000, or 16¢ per share, on the sale of Centennial Cellular stock (see Note 6). Fourth quarter 1999 results include an after tax gain of approximately $41,700,000, or 16¢ per share, on the sale of Century stock and an after tax gain of approximately $51,800,000, or 20¢ per share, on the sale of our interest in a cable joint venture (see Note 6), offset by after tax asset impairment charges of approximately $22,300,000, or 9¢ per share, (see Note 1(f)), after tax costs of an executive retirement agreement of $4,100,000, or 2¢ per share, after tax restructuring charges of approximately $3,600,000, or 1¢ per share (see Note 12), and after tax impact of accelerated depreciation of approximately $3,000,000, or 1¢ per share, related to the change in useful life of an operating system.

The quarterly net income (loss) per common share amounts are rounded to the nearest cent. Annual net income (loss) per common share may vary depending on the effect of such rounding. Quarterly revenue has been retroactively revised from their original presentations to conform to current presentation.

(18) SUPPLEMENTAL CASH FLOW INFORMATION:

The following is a schedule of net cash provided by operating activities for the years ended December 31, 2000, 1999 and 1998:

	2000	1999	1998
		($ in thousands)	
Income (loss) from continuing operations	$ (40,071)	$ 136,599	$ 44,110
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation expense	387,607	310,187	245,475
Non-cash charges to earnings	—	36,136	—
Non-cash investment (gains)/losses	18,314	(221,088)	—
Non-cash HTCC investment impairment charge	—	—	31,905
Cumulative effect of change in accounting principle	—	—	3,594
Allowance for equity funds used during construction	(3,257)	(4,586)	(3,869)
Deferred income tax and investment tax credit	53,215	26,644	22,203
Change in operating accounts receivable	(11,685)	(1,966)	(29,103)
Change in accounts payable and other	(32,452)	52,066	(92,353)
Change in accrued taxes and interest	(28,944)	29,867	19,305
Change in other assets	(34,583)	6,430	8,832
Net cash provided by continuing operating activities	$308,144	$ 370,289	$249,899

(19) RETIREMENT PLANS:

Pension Plan

We have a noncontributory pension plan covering all employees who have met certain service and age requirements. The benefits are based on years of service and final average pay or career average pay. Contributions are made in amounts sufficient to fund the plan's net periodic pension cost while considering tax deductibility. Plan assets are invested in a diversified portfolio of equity and fixed-income securities.

(19) RETIREMENT PLANS: (Continued)

The following tables set forth the plan's benefit obligations and fair values of plan assets as of December 31, 2000 and 1999 and net periodic benefit cost for the years ended December 31, 2000, 1999 and 1998.

	2000	1999
	($ in thousands)	
Change in benefit obligation		
Benefit obligation at beginning of year	$227,602	$252,914
Service cost	12,286	13,234
Interest cost	18,772	17,200
Amendments	275	(1,877)
Actuarial (gain)/loss	23,223	(33,039)
Acquisitions	11,300	—
Benefits paid	(11,434)	(20,830)
Benefit obligation at end of year	$282,024	$227,602
Change in plan assets		
Fair value of plan assets at beginning of year	$238,886	$232,536
Actual return on plan assets	7,155	21,760
Acquisitions	12,622	—
Employer contribution	2,171	5,420
Benefits paid	(11,434)	(20,830)
Fair value of plan assets at end of year	$249,400	$238,886
(Accrued)/Prepaid benefit cost		
Funded status	$ (32,624)	$ 11,284
Unrecognized net liability	103	146
Unrecognized prior service cost	1,795	1,673
Unrecognized net actuarial (gain)/loss	21,900	(13,911)
(Accrued)/Prepaid benefit cost	$ (8,826)	$ (808)

	For the years ended December 31,		
	2000	1999	1998
	($ in thousands)		
Components of net periodic benefit cost			
Service cost	$ 12,286	$ 13,234	$ 10,747
Interest cost on projected benefit obligation	18,772	17,200	15,703
Return on plan assets	(19,743)	(19,081)	(17,241)
Net amortization and deferral	196	175	400
Net periodic benefit cost	$ 11,511	$ 11,528	$ 9,609

(19) RETIREMENT PLANS: (Continued)

Assumptions used in the computation of pension costs/ year-end benefit obligations were as follows:

	2000	1999
Discount rate	8.0%/7.5%	7.0%/8.0%
Expected long-term rate of return on plan assets	8.25%/N/A	8.25%/N/A
Rate of increase in compensation levels	4.0%/4.0%	4.0%/4.0%

In June and August 2000, we acquired Verizon Nebraska and Verizon Minnesota, respectively, including their pension benefit plans. The Nebraska acquisition increased the pension benefit obligation by $3,762,000 and the fair value of plan assets by $4,123,000 as of December 31, 2000. The Minnesota acquisition increased the pension benefit obligation by $7,538,000 and the fair value of plan assets by $8,499,000 as of December 31, 2000.

Postretirement Benefits Other Than Pensions

We provide certain medical, dental and life insurance benefits for retired employees and their beneficiaries and covered dependents. The following table sets forth the plan's benefit obligations and the postretirement benefit liability recognized on our balance sheets at December 31, 2000 and 1999 and net periodic postretirement benefit costs for the years ended December 31, 2000, 1999 and 1998:

	2000	1999
	($ in thousands)	
Change in benefit obligation		
Benefit obligation at beginning of year	$ 45,528	$ 51,983
Service cost	652	781
Interest cost	3,943	3,431
Plan participants' contributions	700	629
Curtailments	(812)	—
Actuarial (gain)/loss	8,733	(8,590)
Acquisitions	3,441	—
Benefits paid	(2,994)	(2,706)
Benefit obligation at end of year	$ 59,191	$ 45,528
Change in plan assets		
Fair value of plan assets at beginning of year	$ 20,460	$ 18,710
Actual return on plan assets	1,093	1,200
Benefits paid	—	(948)
Employer contribution	1,498	1,498
Acquisitions	2,361	—
Fair value of plan assets at end of year	$ 25,412	$ 20,460
Accrued benefit cost		
Funded status	$(33,779)	$(25,068)
Unrecognized transition obligation	281	359
Unrecognized (gain)	(4,832)	(14,953)
Accrued benefit cost	$(38,330)	$(39,662)

(19) RETIREMENT PLANS: (Continued)

	For the years ended December 31,		
	2000	1999	1998
	($ in thousands)		
Components of net periodic postretirement benefit costs			
Service cost	$ 652	$ 781	$ 980
Interest cost on projected benefit obligation	3,943	3,431	3,523
Return on plan assets	(1,688)	(1,544)	(549)
Net amortization and deferral	(770)	(828)	(947)
Curtailment gain	(757)	—	(2,003)
Acquisition (gain)/loss	581	—	—
Net periodic postretirement benefit cost	$ 1,961	$ 1,840	$ 1,004

For purposes of measuring year end benefit obligations, we used the same discount rates as were used for the pension plan and a 9% annual rate of increase in the per-capita cost of covered medical benefits, gradually decreasing to 5% in the year 2050 and remaining at that level thereafter. The effect of a 1% increase in the assumed medical cost trend rates for each future year on the aggregate of the service and interest cost components of the total postretirement benefit cost would be $356,000 and the effect on the accumulated postretirement benefit obligation for health benefits would be $4,694,000. The effect of a 1% decrease in the assumed medical cost trend rates for each future year on the aggregate of the service and interest cost components of the total postretirement benefit cost would be ($316,000) and the effect on the accumulated postretirement benefit obligation for health benefits would be ($4,193,000).

In August 1999, our Board of Directors approved a plan of divestiture for the public services properties. As such, any pension and/or postretirement gain or loss associated with the divestiture of these properties will be recognized when realized.

In June and August 2000, we acquired Verizon Nebraska and Verizon Minnesota, respectively, including their postretirement benefit plans. The Nebraska acquisition increased the accumulated postretirement benefit obligation by $1,095,000 as of December 31, 2000. The Minnesota acquisition increased the accumulated postretirement benefit obligation by $1,765,000 and the fair value of plan assets by $2,361,000 as of December 31, 2000.

401(k) Savings Plans

We sponsor employee savings plans under section 401(k) of the Internal Revenue Code. The plans cover substantially all full-time employees. Under the plans, we provide matching contributions in our stock based on qualified employee contributions. Matching contributions were $5,973,000, $5,850,000 and $5,795,000 for 2000, 1999 and 1998, respectively.

(20) COMMITMENTS AND CONTINGENCIES:

We have budgeted capital expenditures in 2001 of approximately $750 million, including $654 million for the ILEC and ELI, $57 million for gas and electric, and $39 million for discontinued operations. Certain commitments have been entered into in connection therewith.

In December 1999, we entered into a three-year agreement with Nortel to outsource elements of DMS central office engineering and commissioning of our network. Our commitment under this agreement is approximately $37,000,000 for 2001 and $35,000,000 for 2002. The 2001 capital cost of this contract is included in the 2001 budgeted capital expenditures, presented above.

(20) COMMITMENTS AND CONTINGENCIES: (Continued)

We conduct certain of our operations in leased premises and also lease certain equipment and other assets pursuant to operating leases. Future minimum rental commitments for all long-term noncancelable operating leases for continuing operations are as follows:

Year	*Amount* ($ in thousands)
2001	$ 28,135
2002	18,584
2003	14,013
2004	11,439
2005	9,589
thereafter	53,875
Total	$135,635

Total rental expense included in our results of operations for the years ended December 31, 2000, 1999 and 1998 was $33,042,000, $30,855,000 and $27,964,000, respectively. We sublease, on a month to month basis, certain office space in our corporate office to a charitable foundation formed by our Chairman.

In 1995, ELI entered into a $110 million construction agency agreement and an operating lease agreement in connection with the construction of certain communications networks and fiber cable links. ELI served as agent for the construction of these projects and, upon completion of each project, leased the facilities for a three-year term, with one-year renewals available through April 30, 2002. At December 31, 2000 and 1999, ELI was leasing assets under this agreement with an original cost of approximately $108,541,000. ELI has the option to purchase the facilities at the end of the lease terms for the amount of the lessor's average investment in the facilities. Payments under the lease depend on current interest rates, and assuming continuation of current interest rates, payments would approximate $6.7 million annually through April 30, 2002 and, assuming exercise of the purchase option, a final payment of approximately $110 million in 2002. In the event ELI chooses not to exercise this option, ELI is obligated to arrange for the sale of the facilities to an unrelated party and is required to pay the lessor any difference between the net sales proceeds and the lessor's investment in the facilities. However, any amount required to be paid to the lessor is subject generally to a maximum of 80% (approximately $88 million) of the lessor's investment. We have guaranteed all obligations of ELI under this operating lease.

ELI has entered into various capital and operating leases for fiber optic cable to interconnect ELI's local networks with long-haul fiber optic routes. The terms of the various agreements covering these routes range from 20 to 25 years, with varying optional renewal periods. For certain contracts, rental payments are based on a percentage of ELI's leased traffic, and are exclusive, subject to certain minimums. For other contracts, certain minimum payments are required.

ELI has also entered into certain operating and capital leases in order to develop ELI's local networks, including an operating lease to develop a local network in Phoenix and a capital lease in San Francisco. The operating lease in Phoenix provides for rental payments based on a percentage of the network's operating income for a period of 15 years. The capital lease in San Francisco is a 30-year indefeasible and exclusive right to use agreement for optical fibers in the San Francisco Bay Area.

Minimum payments on operating leases are included in the table above. For payments on capital leases, see Note 8.

We are a party to contracts with several unrelated long distance carriers. The contracts provide fees based on leased traffic subject to minimum monthly fees. We also purchase capacity and associated energy from various electric energy and natural gas suppliers. Some of these contracts obligate us to pay certain capacity costs whether or not energy purchases are made. These contracts are intended to complement the other components in our power supply to achieve

(20) COMMITMENTS AND CONTINGENCIES: (Continued)

the most economic mix reasonably available. At December 31, 2000, the estimated future payments for long distance contracts, and capacity and energy that we are obligated for are as follows:

Year	*Amount* *($ in thousands)*
2001	$155,111
2002	120,059
2003	74,340
2004	55,184
2005	55,178
thereafter	297,763
Total	$757,635

The Vermont Joint Owners (VJO), a consortium of 14 Vermont utilities, including us, have entered into a purchase power agreement with Hydro-Quebec. The agreement contains "step-up" provisions that state that if any VJO member defaults on its purchase obligation under the contract to purchase power from Hydro-Quebec the other VJO participants will assume responsibility for the defaulting party's share on a pro-rata basis. As of December 31, 2000, 1999 and 1998, our obligation under the agreement is approximately 10% of the total contract. The two largest participants in the VJO represent approximately 46% and 37% of the total contract, respectively. These two major participants have each experienced regulatory disallowances that have resulted in credit rating downgrades and stock price declines. Both of these participants are in the process of appealing the regulatory disallowances; however, both companies have stated that an unfavorable ruling could jeopardize their ability to continue as going concerns. If either or both of these companies default on their obligations under the Hydro-Quebec agreement, the remaining members of the VJO, including us, may be required to pay for a substantially larger share of the VJO's total power purchase obligation for the remainder of the agreement. Such a result could have a materially adverse effect on our financial results.

In the fourth quarter of 2000, we settled a proceeding with the Louisiana Public Service Commission. Louisiana Gas Service, our subsidiary, refunded approximately $27 million to ratepayers during the month of January 2001, effected as a credit on customers' bills. As a result, we recorded approximately $29.7 million of charges to earnings in the fourth quarter of 2000. This amount included a reduction to revenue for the refund to customers of approximately $27 million and legal fees of approximately $2.7 million. The Louisiana Gas Service business is to be sold to Atmos Energy Co. and the sale is expected to close in the first half of 2001 following regulatory approval (see Note 5).

We are involved in various other claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters, after considering insurance coverages, will not have a material adverse effect on our consolidated financial position, results of operations or liquidity.

CITIZENS COMMUNICATIONS COMPANY

CONSOLIDATED FINANCIAL DATA

($ in thousands, except per-share and other financial data)

	Five-Year Compound Annual Growth	*2000*	*1999*	*1998*	*1997*	*1996*
Income Statement Data						
Continuing operations[1]						
Revenue	13%	$1,802,358	$1,598,236	$1,448,588	$1,303,901	$1,218,222
Cost of services	17%	449,121	361,807	359,762	344,685	285,749
Depreciation and amortization	21%	387,607	310,185	245,475	224,312	183,242
Other operating expenses	15%	803,900	851,968	692,389	742,758	484,133
Acquisition assimilation expenses	n/a	39,929	3,916	—	—	—
Operating income (loss)	−12%	121,801	70,360	150,962	(7,854)	265,098
Investment and other income, net[2]	−44%	3,350	243,797	3,782	119,337	59,875
Minority interest	n/a	12,222	23,227	14,032	645	—
Interest expense	19%	187,366	119,675	101,796	98,444	82,976
Income tax expense (benefit)	n/a	(16,132)	74,900	16,660	5,408	75,665
Convertible preferred dividends	n/a	6,210	6,210	6,210	6,210	5,849
Income (loss) from continuing operations[2]	n/a	(40,071)	136,599	44,110	2,066	160,483
Income from discontinued operations, net of tax	−1%	11,677	7,887	12,950	8,034	18,177
Net income (loss)	n/a	(28,394)	144,486	57,060	10,100	178,660
EBITDA and Capital Expenditure Data[3]						
EBITDA from continuing operations	6%	$ 509,408	$ 380,545	$ 396,437	$ 216,458	$ 448,340
EBITDA from discontinued operations	7%	45,640	36,218	39,576	35,200	41,079
Total Company EBITDA	6%	555,048	416,763	436,013	251,658	489,419
EBITDA from continuing operations excluding acquisition assimilation expenses	8%	549,337	384,461	396,437	216,458	448,340
Capital expenditures from continuing operations	25%	463,890	419,170	426,576	420,894	244,433
Capital expenditures from assets held for sale	6%	80,939	110,491	64,663	71,424	52,282
Capital expenditures from discontinued operations	21%	73,476	25,454	30,793	32,171	21,048
Total Company capital expenditures	21%	618,305	555,115	522,032	524,489	317,763

CITIZENS COMMUNICATIONS COMPANY

CONSOLIDATED FINANCIAL DATA

($ in thousands, except per-share and other financial data)

	Five-Year Compound Annual Growth	*2000*	*1999*	*1998*	*1997*	*1996*
Select Balance Sheet Data						
Cash and investments	−6%	$ 284,445	$ 628,527	$ 496,068	$ 482,858	$ 610,950
Total assets	12%	6,955,006	5,771,745	5,292,932	4,872,852	4,523,148
Net plant (continuing operations)	14%	3,509,767	2,888,718	2,705,087	2,394,787	2,037,193
Assets held for sale	8%	1,212,307	1,060,704	1,033,238	1,023,622	863,934
Assets of discontinued operations	6%	673,515	595,710	598,397	556,559	511,628
Long-term debt (continuing operations)	23%	3,062,289	2,107,460	1,775,338	1,583,902	1,409,512
Equity	4%	1,921,251	2,121,185	1,994,021	1,880,461	1,879,433
Shares of common stock outstanding	3%	262,660	262,076	259,149	250,994	239,148
Weighted average shares outstanding	1%	261,744	260,481	258,879	260,226	261,286
Per-Share Data[4]						
Basic net income (loss) per share of common stock	n/a	$ (0.11)	$ 0.55	$ 0.22	$ 0.04	$ 0.68
EBITDA per share from continuing operations	5%	1.95	1.46	1.53	0.83	1.72
EBITDA per share from discontinued operations	6%	0.17	0.14	0.15	0.14	0.16
Total Company EBITDA per share	5%	2.12	1.60	1.68	0.97	1.87
Book value per share	1%	6.57	7.37	6.93	6.45	6.42
Other Financial Data						
Long-term debt to long-term debt and equity	n/a	61%	50%	47%	46%	43%
Common equity market capitalization (in billions)	n/a	$ 3.5	$ 3.7	$ 2.1	$ 2.4	$ 2.6
Equity market capitalization (in billions)	n/a	3.7	4.0	2.3	2.6	2.8
Market capitalization (in billions)[5]	n/a	6.8	6.1	4.2	4.3	4.2

Note: Where there was no amount in 1995 or a negative amount in 2000, n/a is presented in the compound annual growth rate column.

(1) Our Incumbent Local Exchange Carrier (ILEC), Electric Lightwave, Inc. (ELI) (our Competitive Local Exchange Carrier) and our natural gas and electric businesses. The natural gas and electric businesses are presented in continuing operations in selected income statement data and as Assets held for sale in the balance sheet data. We are reporting our water and wastewater businesses as discontinued operations. All prior years have been restated to conform to current presentation. Continuing operations reflect the elimination of intercompany transactions (see segment footnote in the SEC Form 10-K).

(2) 1999 includes a gain of $69.5 million ($42.9 million net of tax) on the sale of Centennial Cellular stock, a gain of $67.6 million ($41.7 million net of tax) on the disposition of Century Communications Corp. stock and a gain of $83.9 million ($51.8 million net of tax) on the disposition of an interest in a cable joint venture (the Century Communications Corp. and cable joint venture gains occurred in the fourth quarter of 1999). 1998 includes the cumulative effect of a change of accounting principle of $2.3 million, net of tax.

(3) EBITDA is operating income plus depreciation and amortization.

(4) Calculated based on weighted average shares outstanding.

(5) Equity market capitalization plus long-term debt.

CITIZENS COMMUNICATIONS COMPANY
SECTOR FINANCIAL AND OPERATING DATA

($ in thousands, except operating data)

ILEC Sector	***Five-Year Compound Annual Growth***	*2000*	*1999*	*1998*	*1997*	*1996*
Select Income Statement Data						
Revenue						
Network access services	9%	$ 513,431	$ 503,634	$ 432,018	$ 403,990	$ 391,151
Local network services	10%	314,343	276,468	266,558	250,521	232,904
Long distance and data services	43%	83,703	76,495	96,584	90,747	59,072
Directory services	5%	32,266	27,939	26,934	31,982	30,248
Other	16%	62,626	64,732	45,352	48,922	50,084
Eliminations[1]	97%	(42,626)	(46,031)	(32,407)	(23,573)	(11,250)
Total revenue	10%	963,743	903,237	835,039	802,589	752,209
Network expenses	49%	77,134	79,507	89,514	107,427	61,432
Depreciation and amortization	19%	276,250	226,141	181,656	175,363	148,022
Other operating expenses	10%	455,160	538,794	441,770	549,293	323,501
Acquisition assimilation expenses[2]	n/a	39,929	3,916	—	—	—
Eliminations[1]	97%	(42,626)	(46,031)	(32,407)	(23,573)	(11,250)
Operating income	−4%	157,896	100,910	154,506	(5,921)	230,504
EBITDA and Capital Expenditure Data[3]						
EBITDA	7%	$ 434,146	$ 327,051	$ 336,162	$ 169,442	$ 378,526
EBITDA margin[4]		45%	36%	40%	21%	50%
EBITDA excluding acquisition assimilation expenses	9%	474,075	330,967	336,162	169,442	378,526
EBITDA margin excluding acquisition assimilation expenses		49%	37%	40%	21%	50%
Capital expenditures	25%	350,209	227,176	201,453	263,011	184,041
Select Balance Sheet Data						
Total assets	12%	$3,558,562	$2,422,572	$2,438,978	$2,313,535	$2,204,149
Net plant	9%	2,593,746	2,106,299	2,122,858	2,022,176	1,844,050
Operating Data						
Access lines	12%	1,371,200	996,757	951,513	895,880	834,180
Switched access minutes of use (in millions)	13%	5,755	5,224	4,526	4,496	4,251
Employees	8%	4,212	3,723	3,562	3,520	3,290
Citizens' long distance minutes of use (in millions)	46%	564	570	704	849	386
Citizens' long distance in-territory customer market share	18%	14%	24%	24%	27%	21%

Note: Where there was no amount in 1995 or a negative amount in 2000, n/a is presented in the compound annual growth rate column.

(1) Eliminations represent activities between our local exchange operations and our long-distance operations.

(2) Represents expenses associated with the completed and pending acquisitions of approximately 2 million telephone access lines.

(3) EBITDA is operating income plus depreciation and amortization.

(4) EBITDA divided by total revenue.

CITIZENS COMMUNICATIONS COMPANY

SECTOR FINANCIAL AND OPERATING DATA

(\$ in thousands, except operating data)

Electric Lightwave, Inc.	*Five-Year Compound Annual Growth*	*2000*	*1999*	*1998*	*1997*	*1996*
Select Income Statement Data						
Revenue						
Network services	40%	\$ 77,437	\$ 53,249	\$ 36,589	\$ 33,522	\$ 19,947
Local telephone services	171%	98,643	77,591	38,169	10,565	2,533
Long distance services	59%	16,318	26,698	12,309	8,140	7,232
Data services	99%	51,579	29,470	13,813	8,857	5,705
Total revenue	68%	243,977	187,008	100,880	61,084	35,417
Network access	59%	74,105	79,948	50,957	29,546	15,782
Gross margin	73%	169,872	107,060	49,923	31,538	19,635
Depreciation and amortization	57%	61,663	36,505	17,002	11,167	5,549
Other operating expenses	52%	168,085	164,621	106,704	54,466	38,053
Operating loss	30%	(59,876)	(94,066)	(73,783)	(34,095)	(23,967)
EBITDA and Capital Expenditure Data(1)						
EBITDA	n/a	\$ 1,787	\$ (57,561)	\$ (56,781)	\$ (22,928)	\$ (18,418)
Capital expenditures(2)	33%	112,285	185,395	200,000	124,549	41,607
Select Balance Sheet Data						
Total assets	50%	\$949,774	\$775,234	\$532,309	\$359,962	\$195,656
Gross plant	43%	978,327	771,947	528,582	328,664	189,334
Operating Data						
Access line equivalents	n/a	200,231	161,555	74,924	34,328	8,779
Route miles	50%	5,924	4,052	3,091	2,494	1,428
Fiber miles	42%	297,284	214,864	181,368	140,812	97,665
Customers	43%	2,401	2,371	1,644	1,165	763
Buildings connected	25%	851	824	766	610	438
Employees	39%	1,161	1,167	1,090	573	402
Revenue per employee	21%	\$210,144	\$160,247	\$ 92,550	\$106,604	\$ 88,102

Note: Where there was no amount in 1995 or a negative amount in 2000, n/a is presented in the compound annual growth rate column.

(1) EBITDA is operating income plus depreciation and amortization.

(2) Excludes capitalized leases.

CITIZENS COMMUNICATIONS COMPANY
SECTOR FINANCIAL AND OPERATING DATA
($ in thousands, except operating data)

Gas Sector	*Five-Year Compound Annual Growth*	*2000*	*1999*	*1998*	*1997*	*1996*
Select Income Statement Data						
Revenue						
Residential	8%	$161,925	$143,314	$150,386	$145,016	$134,888
Commercial	25%	121,890	100,332	109,259	64,004	49,633
Industrial	12%	63,060	46,054	47,497	30,366	40,230
Municipal	2%	3,061	2,641	3,657	3,251	2,403
Total distribution	13%	349,936	292,341	310,799	242,637	227,154
Transportation	3%	4,870	6,238	2,435	2,622	5,519
Other	33%	19,945	8,407	12,189	6,839	6,946
Total Revenue	14%	374,751	306,986	325,423	252,098	239,619
Natural gas purchased	16%	229,538	152,667	166,829	139,900	127,913
Gross margin	10%	145,213	154,319	158,594	112,198	111,706
Depreciation	10%	19,228	22,203	24,084	15,587	10,953
Other operating expenses	18%	117,717	100,092	92,285	67,411	66,997
Operating income	−20%	8,268	32,024	42,225	29,200	33,756
EBITDA and Capital Expenditure Data[1]						
EBITDA	−6%	$ 27,496	$ 54,227	$ 66,309	$ 44,787	$ 44,709
Capital expenditures	12%	51,456	66,951	45,768	47,880	27,691
Select Balance Sheet Data						
Total assets	14%	$667,651	$590,713	$554,028	$530,696	$381,740
Net plant	15%	531,885	498,219	444,126	423,533	281,220
Operating Data						
Customers	5%	473,527	466,576	457,200	446,100	371,244
Employees	6%	1,022	1,035	1,019	923	799
Customers per employee	—	463	451	449	483	465
Gross margin per employee	4%	$142,087	$149,100	$155,637	$121,558	$139,807
Billion Cubic Feet of gas throughput	−2%	75.7	79.4	108.8	80.3	73.9

Note: Where there was no amount in 1995 or a negative amount in 2000, n/a is presented in the compound annual growth rate column

(1) EBITDA is operating income plus depreciation and amortization.

CITIZENS COMMUNICATIONS COMPANY
SECTOR FINANCIAL AND OPERATING DATA
($ in thousands, except operating data)

Electric	*Five-Year Compound Annual Growth*	*2000*	*1999*	*1998*	*1997*	*1996*
Select Income Statement Data						
Revenue						
Residential	8%	$ 106,842	$ 87,471	$ 80,887	$ 79,808	$ 79,893
Commercial	4%	62,521	60,713	57,617	55,805	55,826
Industrial	4%	47,269	41,045	39,393	42,209	44,165
Municipal	2%	8,570	8,719	8,265	8,555	8,175
Total distribution	6%	225,202	197,948	186,162	186,377	188,059
Other	n/a	(2,130)	5,874	4,145	5,093	4,238
Total revenue	5%	223,072	203,822	190,307	191,470	192,297
Electric energy and fuel oil purchased	6%	113,965	98,533	87,930	94,726	93,191
Gross margin	4%	109,107	105,289	102,377	96,744	99,106
Depreciation	11%	28,629	25,552	22,733	22,195	18,718
Other operating expenses	9%	65,252	49,469	52,551	60,826	55,583
Operating income	−13%	15,226	30,268	27,093	13,723	24,805
EBITDA and Capital Expenditure Data						
EBITDA[1]	−1%	$ 43,855	$ 55,820	$ 49,826	$ 35,918	$ 43,523
Capital expenditures	−2%	29,483	43,540	18,895	23,544	24,591
Select Balance Sheet Data						
Total assets	2%	$ 544,656	$ 469,991	$ 479,210	$ 492,926	$ 482,194
Net plant	2%	421,443	411,552	386,299	388,162	393,475
Operating Data						
Customers	3%	123,562	120,745	115,400	111,800	109,802
Employees	—	334	341	361	303	345
Customers per employee	3%	370	354	320	369	318
Gross margin per employee	4%	$ 326,668	$ 308,765	$ 283,593	$ 319,287	$ 287,264
Megawatt hours sold	4%	1,943,370	1,806,830	1,745,419	1,655,121	1,691,384
Megawatt hours generated	2%	389,552	353,792	367,285	353,390	352,261
Megawatt hours purchased	5%	1,720,972	1,596,311	1,533,163	1,533,584	1,395,073

Note: Where there was no amount in 1995 or a negative amount in 2000, n/a is presented in the compound annual growth rate column.

(1) EBITDA is operating income plus depreciation and amortization.

SHAREHOLDER INFORMATION

STOCK MARKET INFORMATION

On February 24, 1992, Citizens Utilities commenced trading on the New York Stock Exchange under the symbols CZNA and CZNB for Series A and Series B, respectively. Effective August 25, 1997, Citizens Common Stock Series A and Common Stock Series B were combined into a single series common stock trading on the New York Stock Exchange under the symbol CZN. Citizens Equity Providing Preferred Income Convertible Securities (EPPICS) is listed on the New York Stock Exchange under the symbol CZNPr.

At the Annual Meeting of Shareholders on May 18, 2000, the shareholders of the company voted to approve a change in the name of the company from Citizens Utilities Company to Citizens Communications Company. The approval of this proposal had no effect upon the company's stock symbols or upon certificates issued by or on behalf of the company.

As of February 28, 2001, the approximate number of registered holders of the company's common stock was 37,753 according to Citizens' transfer agent.

The table below lists the high and low prices per share for the periods shown. These prices were taken from the daily quotations published in *The Wall Street Journal* during the periods indicated.

	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
	High	Low	High	Low	High	Low	High	Low
2000								
CZN	$17.06	$13.75	$18.00	$14.31	$19.00	$13.00	$15.31	$12.50
CZNPr	$64.75	$55.75	$67.50	$57.13	$71.75	$52.63	$59.56	$50.13
1999								
CZN	$ 8.50	$ 7.25	$11.50	$ 7.69	$12.44	$10.88	$14.31	$10.94
CZNPr	$42.50	$38.63	$48.63	$40.25	$52.00	$48.63	$56.38	$48.94

The December 29, 2000, prices for Citizens Common Stock were $13.13 high, $12.69 low, and for CZNPr $53 high, $51 low.

COMMON STOCK

Citizens historically declared and issued quarterly stock dividends on its common stock based on the number of whole shares owned on the record date for that dividend. Under current statutes and regulations, stock dividends are not taxable when received and are treated as capital transactions for federal income tax purposes, when and if sold. Gain or loss is based on the difference between sales price and adjusted basis per share.

Effective with the first quarter of 1999, Citizens discontinued paying dividends on its common stock. As a result, the Stock Dividend Sale Plan is inactive.

Book Entry

Book entry provides registered shareholders of Citizens Common Stock with statements reflecting the number of shares credited to their accounts as a result of stock dividends and purchases. A shareholder may receive certificates representing his or her stock dividends and/or purchases by completing the reverse side of the quarterly statement and mailing it, or a written request, to the company's transfer agent, Illinois Stock Transfer Company.

Direct Stock Purchase and Sale Plan

Registered shareholders may enroll in Citizens' Direct Stock Purchase and Sale Plan. Street name shareholders may participate in the Plan if their brokers or custodial institutions establish procedures permitting them to do so. The Plan provides shareholders with a convenient method for purchasing additional shares of Citizens Common Stock by making optional cash payments. Under the Plan, the price shareholders pay for Citizens Common Stock is based on an average market price during the purchase period and includes a commission of two cents per share if the shares are purchased on the open market. There is currently a $6 transaction fee to purchase stock through the Plan. The Plan also provides shareholders with a way to sell shares of Citizens stock. There is a fee of $15 and a two cents per share commission for each sales transaction. For information and/or an enrollment form for this Plan, please contact Illinois Stock Transfer Company.

Stock Safekeeping Program

The Safekeeping Program, which is voluntary, allows shareholders to mail their stock certificates to Citizens' transfer agent, Illinois Stock Transfer Company. Upon receipt, Illinois Stock Transfer credits the shareholder's account with the appropriate number of book entry shares, cancels the actual certificates, and issues a statement reflecting the transaction. A shareholder requiring certificates for sale or pledge may request them in writing (by mail or fax) at any time from the transfer agent. For information about this program, please contact Illinois Stock Transfer Company.

CITIZENS EPPICS

Citizens currently declares quarterly distributions on its EPPICS, payable in cash. Citizens EPPICS must be purchased through and held by a broker or custodial institution. Please contact your broker, custodial institution or Citizens' Corporate Communications department for additional information about this security.

STOCK TRANSFER AGENT

Registered shareholders with inquiries concerning stock transfers, account consolidations, lost certificates, changes of address, receipt of duplicate material, and any other account-related matters should contact Illinois Stock Transfer Company by telephoning 800.757.5755 or 312.427.2953, or by faxing to 312.427.2879, or by writing to Citizens c/o Illinois Stock Transfer Company, 209 West Jackson Boulevard, Suite 903, Chicago, IL 60606-6905.

WORLD WIDE WEBSITES

Company information, including quarterly and annual financial publications, press releases, remarks by Citizens' senior management, and other materials, may be found at www.czn.net. For information about Citizens Communications' products and services, visit www.citizenscommunications.com.

SHAREHOLDER INQUIRIES

Investor material is available on Citizens' website at www.czn.net. In addition, annual financial information is mailed to shareholders. Questions concerning these materials may be directed to Corporate Communications at Citizens' corporate headquarters by telephoning 800.248.8845. Additional copies of this report, the company's 2000 Form 10-K report filed with the Securities and Exchange Commission, and other written information about the company may be requested by telephoning 800.248.8845; faxing to 203.614.4602; or emailing Citizens@czn.com.

CORPORATE HEADQUARTERS

Citizens Communications
3 High Ridge Park
Stamford, CT 06905-1390
Tel. 203.614.5600
Fax 203.614.4602
Email Citizens@czn.com

APPENDIX E

Letters from Adjacent Cities

PUBLIC WORKS DEPARTMENT
Director's Office

April 26, 2001

Ms. Brenda Geisen, Environmental Planner I
Maricopa Association of Governments
302 North 1st Avenue, Suite 300
Phoenix, Arizona 85003

Attn: Ms. Brenda Geisen
Environmental Planner I

RE: TOWN OF BUCKEYE PROPOSED MAG 208 AMENDMENT

The City of Goodyear is aware that the Town of Buckeye is submitting a draft Clean Water Act Section 208 Amendment to the Regional Water Quality Management Plan for the proposed Whitestone Water Reclamation Facility (WRF). After review and consideration, the City of Goodyear has no objection to the plan you have proposed.

The City of Goodyear expresses its support for this 208 submittal. If you have any questions, please contact my office at (623) 932-1637.

Sincerely,

CITY OF GOODYEAR

Cato Esquivel, Jr.
Public Works Director

CE:ce:buckeye208

cc: Stephen S. Cleveland, City Manager
Joseph Blanton, Town Manager, Town of Buckeye
Richard L. Rhoads, Wastewater Division Supervisor
Jim Albu, Malcolm Pirnie
Reading File

THE CITY OF GOODYEAR
200 S. Calle Del Pueblo • Goodyear, Arizona 85338
623-932-1637 • 1-800-USA-1-PHX • FAX 623-932-3020 • TDD 623-932-6500