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CITIZENS COMMUNICATIONS CO
Form 8-K
October 30, 2002

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

Date of Report (date of earliest event reported): October 29, 2002

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

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| Delaware (State or other jurisdiction of incorporation) | 001-11001 (Commission File Number) | 06-0619596 (I.R.S. Employer Identification No.) |
|---|--|---|

3 High Ridge Park
Stamford, Connecticut 06905
(Address of Principal Executive Offices)

(203) 614-5600
(Registrant's Telephone Number, Including Area Code)

No Change Since Last Report

(Former name or former address, if changed since last report)

ITEM 5.

Citizens Communications announced today that it has entered into definitive agreements to sell its Arizona Gas and Arizona Electric divisions to UniSource Energy Corporation (NYSE:UNS) for \$230 million in cash, subject to customary adjustments under the terms of the agreements. The transaction is expected to close during the second half of 2003 and is subject to regulatory and other customary approvals.

In connection with this transaction, Citizens' third quarter 2002 results, which will be reported on Nov. 7, 2002, will include non-cash charges associated with write downs of the carrying values of the Arizona Gas and Electric assets. In the aggregate, Citizens has recorded pre-tax gains of approximately \$448 million on previously completed sales of utilities. Citizens will have generated \$1.8 billion of proceeds after the closing of the Arizona and Kauai Electric sales, which is equal to the company's original estimate for total proceeds from the divestiture of all of its utility divisions, with The Gas Company in Hawaii and Vermont Electric still remaining to be sold. Citizens will also record, in the third quarter, non-cash charges to reflect the difference between anticipated

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proceeds from the sale of these two remaining utility assets and their book values.

In addition, as a result of a review of the carrying value of its Electric Lightwave division, Citizens has concluded it appropriate to record a non-cash charge to reflect a reduction of the carrying value of the plant, property and equipment of Electric Lightwave to approximately \$185 million. Citizens' Electric Lightwave division will continue to serve its customers, providing the same level of high-quality telecommunications services.

The aggregate of all of these items will result in non-cash charges for the third quarter of approximately \$700 million net of tax benefits. After giving effect to these charges, Citizens will remain in compliance with all provisions of its debt agreements.

Citizens also expects to complete the sale of its Kauai Electric division during the fourth quarter of 2002 for \$215 million in cash. The sale price is approximately equal to carrying value.

Citizens will apply the net cash proceeds from the sales of Kauai Electric and Arizona Electric and Gas to its ongoing program of debt reduction. Through Sept. 30, Citizens had retired approximately \$718 million of its debt during 2002.

SIGNATURE

Pursuant to the requirements 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/ Robert J. Larson

Robert J. Larson
Vice President and Chief Accounting Officer

Date: October 30, 2002

Citizens Communications
3 High Ridge Park
Stamford, CT 06905
203.614.5600
Web site: www.czn.net

FOR IMMEDIATE RELEASE

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Citizens Communications Announces Further Progress on Utility Sales and Third-Quarter Write Down

Stamford, Conn., Oct. 29, 2002 -- Citizens Communications (NYSE:CZN, CZB) announced today that it has entered into definitive agreements to sell its Arizona Gas and Arizona Electric divisions to UniSource Energy Corporation (NYSE:UNS) for \$230 million in cash, subject to customary adjustments under the terms of the agreements. The transaction is expected to close during the second half of 2003 and is subject to regulatory and other customary approvals.

In connection with this transaction, Citizens' third quarter 2002 results, which will be reported on Nov. 7, 2002, will include non-cash charges associated with write downs of the carrying values of the Arizona Gas and Electric assets. In the aggregate, Citizens has recorded pre-tax gains of approximately \$448 million on previously completed sales of utilities. Citizens will have generated \$1.8 billion of proceeds after the closing of the Arizona and Kauai Electric sales, which is equal to the company's original estimate for total proceeds from the divestiture of all of its utility divisions, with The Gas Company in Hawaii and Vermont Electric still remaining to be sold. Citizens will also record, in the third quarter, non-cash charges to reflect the difference between anticipated proceeds from the sale of these two remaining utility assets and their book values.

In addition, as a result of a review of the carrying value of its Electric Lightwave division, Citizens has concluded it appropriate to record a non-cash charge to reflect a reduction of the carrying value of the plant, property and equipment of Electric Lightwave to approximately \$185 million. Citizens' Electric Lightwave division will continue to serve its customers, providing the same level of high-quality telecommunications services.

The aggregate of all of these items will result in non-cash charges for the third quarter of approximately \$700 million net of tax benefits. After giving effect to these charges, Citizens will remain in compliance with all provisions of its debt agreements.

Citizens also expects to complete the sale of its Kauai Electric division during the fourth quarter of 2002 for \$215 million in cash. The sale price is approximately equal to carrying value.

Citizens will apply the net cash proceeds from the sales of Kauai Electric and Arizona Electric and Gas to its ongoing program of debt reduction. Through Sept. 30, Citizens had retired approximately \$718 million of its debt during 2002.

Citizens Communications Inc. provides telecommunications services to approximately 2.5 million access lines in 24 states. More information about Citizens can be found at www.czn.net.

UniSource Energy's TEP subsidiary is Arizona's second-largest investor-owned electric utility company and provides service to over 300,000 customers in Arizona. Its other subsidiaries include Advanced Energy Technologies, Inc., a developer of renewable energy and distributed generation technologies, and Southwest Energy Solutions, a regional electric contractor. More information about UniSource can be found at their web site, www.unisourceenergy.com.

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