

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED GAS ADJUSTMENT) CASE NO. 2009-00205
FILING OF CITIPOWER, LLC)

O R D E R

On March 31, 2000, the Commission issued its Order in Case No. 1999-00225¹ approving certain adjustments to the rates of Citipower, LLC ("Citipower") and providing, under certain conditions, for the further adjustment of such rates in accordance with the provisions of Citipower's Gas Cost Adjustment ("GCA") clause.

On June 1, 2009, Citipower filed its GCA to be effective July 1, 2009.

After reviewing the record in this case and being otherwise sufficiently advised, the Commission finds that:

1. Citipower's notice proposes revised rates to pass on its expected change in gas costs to its customers.
2. Citipower proposed an Expected Gas Cost ("EGC") of \$10.1886 per Mcf, which is based on supplier prices from CitiGas, LLC ("CitiGas") [an affiliate of Citipower pursuant to 278.010(18)] and from Citizens Gas Utility District ("Citizens Gas"). CitiGas is Citipower's primary source of supply, with infrequent purchases from Citizens Gas. In

¹ Case No. 1999-00225, Application of Citipower, LLC for an Adjustment of Rates Pursuant to the Alternative Rate Filing Procedure for Small Utilities (Ky. PSC March 31, 2000).

its response to a staff data request, Citipower stated that it purchased some small volumes of gas from Citizens Gas during the month of January 2009. In its June 1 application, Citipower provided an invoice dated March 5, 2009 showing February 2009 deliveries of 1,175 Mcf. No invoices for January purchases were provided. For the 12 months ended December 2008, Citipower showed only purchases from CitiGas.

In an effort to establish an arm's-length price from its affiliate, CitiGas, Citipower provided correspondence from Citizens Gas as well as a contract between Citipower and Citizens Gas stating that the cost of gas would be \$5.00 per Mmbtu plus the actual cost of natural gas based on the Tennessee/Louisiana Leg Index. Citipower proposes that the Citizens Gas rate be used to establish the arm's-length price from CitiGas. Citipower states that it was unable to obtain a bid from Champ Oil, another possible supplier. In Citipower's previous GCA filing,² after discussions held during a telephonic informal conference with Commission Staff, Citipower revised its Average Expected Gas Cost per Mcf so that gas costs for the months of May 2009 and June 2009 were based on the New York Mercantile Exchange ("NYMEX") Natural Gas 12-Month Strip rate for March 26, 2009. This pricing was approved by the Commission. In previous GCA filings with the Commission, the gas cost proposed by Citipower and approved by the Commission was also based on 12-month NYMEX strip rates. The Commission has approved the use of NYMEX strip rates in calculating the EGC factors of other Kentucky local distribution utilities as well. The Commission's concern in the previous GCA case involved the use of an expiring contract rate in pricing future supplies rather than the

² Case No. 2009-00080, Purchased Gas Adjustment Filing of Citipower, LLC (Ky. PSC March 31, 2009).

use of a 12-month NYMEX strip rate in pricing the expiring contract. As stated previously, in Citipower's most recent GCA case, the Commission approved its revised filing which utilized a 12-month NYMEX strip rate.

The Commission finds using a 12-month NYMEX strip in the pricing of base load supplies preferable and more reasonable than using the price of supplies negotiated under a set of unique circumstances, as is the case with Citizens Gas. In response to the Commission Staff data request, Citipower stated that an EGC calculation for the quarter beginning July 1, 2009, based on the 12-month NYMEX strip rate, would produce a gas cost rate of \$6.4680, which results in an EGC of \$6.4520 per Mcf. This is a decrease of \$1.8329 per Mcf from the prior approved EGC of \$8.2849 per Mcf.

3. Citipower's notice sets out no Refund Adjustment.

4. Citipower's notice sets out a current quarter Actual Adjustment ("AA") of (\$.4446) per Mcf. Citipower's total AA is (\$.2909) per Mcf, which is a decrease of \$1.6661 per Mcf from the previous total AA of \$1.3752 per Mcf.

5. Citipower's notice sets out a current quarter Balance Adjustment ("BA") of (\$.0031) per Mcf. Citipower used an incorrect past quarter in calculating the BA and used an expired BA rather than the expired AA. Using the expired AA from Case No. 2008-00046³ of \$.000 per Mcf produces a revised current BA of \$.0000 per Mcf. Citipower's total BA is (\$.0557) per Mcf, which is an increase of \$.0115 per Mcf from its prior total BA of (\$.0672) per Mcf.

³ Case No. 2008-00046, Notice of Gas Cost Adjustment Filing of Citipower, LLC (Ky. PSC Feb. 26, 2008).

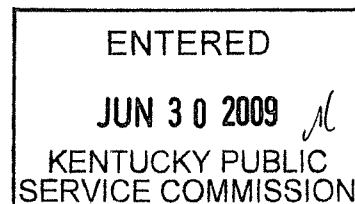
6. These combined adjustments produce a GCA of \$6.1054 per Mcf, which is a decrease of \$3.4875 per Mcf from the previous rate of \$9.5929 per Mcf.

7. The revised rates in the Appendix to this Order are fair, just and reasonable, and should be approved for billing for service rendered on and after July 1, 2009.

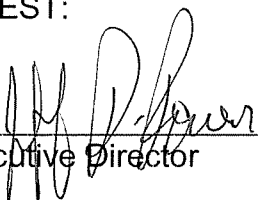
IT IS HEREBY ORDERED that:

1. Citipower's proposed rates are denied.
2. The rates in the Appendix to this Order are fair, just, and reasonable, and are approved for billing for service rendered on and after July 1, 2009.
3. Within 20 days of the date of this Order, Citipower shall file with the Commission its revised tariffs setting out the rates authorized herein.

By the Commission



ATTEST:



Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2009-00205 DATED JUN 30 2009

The following rates and charges are prescribed for the customers served by Citipower, LLC. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

Residential and Commercial

	<u>Base Rate</u>	<u>Gas Cost Recovery Rate</u>	<u>Total</u>
Volumetric Rate	\$6.4592	\$ 6.1054	\$12.5646

The volumetric rate will apply to all Mcfs sold, subject to a minimum bill of \$5.00. In those cases where the usage applied to the volumetric rate results in an amount less than \$5.00, the customer will be charged the \$5.00 minimum.

Industrial and Institutional

	<u>Base Rate</u>	<u>Gas Cost Recovery Rate</u>	<u>Total</u>
Volumetric Rate	\$5.4592	\$ 6.1054	\$11.5646

The volumetric rate will apply to all Mcfs sold, subject to a minimum bill of \$5.00. In those cases where the usage applied to the volumetric rate results in an amount less than \$5.00, the customer will be charged the \$5.00 minimum.

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