

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED GAS ADJUSTMENT FILING) CASE NO.
OF CITIPOWER, LLC) 2011-00081

O R D E R

On April 3, 2009, the Commission issued its Order in Case No. 2008-00392¹ 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 March 7, 2011, Citipower filed its GCA to be effective April 1, 2011. On March 24, 2011, the Commission issued an Order suspending Citipower’s proposed rates through September 6, 2011 and required Citipower to provide certain information in support of its proposed GCA rates. On April 6, 2011, Citipower responded with the information requested in the Commission’s Order.

After reviewing the record in this case and previous Citipower GCA cases, 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 \$6.1213 per Mcf. Its average 12-month EGC is based in part on the expectation that it will need to buy

¹ Case No. 2008-00392, Application of Citipower, LLC for Rate Adjustment for Small Utilities Pursuant to 807 KAR 5:076 (Ky. PSC Apr. 3, 2009).

gas at a higher-than-normal price from Citizens Gas Utility District (“Citizens Gas”) during periods of high usage in cold weather. Citizens Gas’s volumes are priced using current price projections as of March 1, 2011. The EGC is otherwise based on Citipower’s expected cost of gas from its primary supplier, Citigas, LLC (“Citigas”) [an affiliate pursuant to 278.010(18)], using the New York Mercantile Exchange (“NYMEX”) Natural Gas 12-Month strip rate for March 2011. Updating these numbers for the most current indices produces an EGC of \$6.1476, which is an increase of \$.0002 per Mcf from the prior approved EGC of \$6.1474 per Mcf.

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

4. Citipower’s notice sets out a current quarter Actual Adjustment (“AA”) of \$.4582 per Mcf. In response to Item 2 of Commission Staff’s First Request for Information, Citipower stated that beginning April 1, 2010, it had mistakenly used its GCR rates instead of the quoted Citigas rates for each month in setting out its Unit Cost of Gas to calculate its Monthly Cost Difference for the AA. (The Commission notes that the error actually began with rates calculated effective October 1, 2010, which included AA calculations for the three months beginning April 1, 2010). Previous errors in AA calculations will be corrected in future BA adjustments. Correcting for this error in its current application results in a current quarter AA of (\$.1675). This rate is derived by using the \$5.39 per Mcf rate quoted by Citigas for the months of October, November, and December, combined with the cost of gas from Citizen’s Gas for purchases occurring during the month of December. Citipower’s total AA of \$.0183 per Mcf includes the current AA of (\$.1675) and two previous quarter AAs of \$.1241 and \$.0617. The third previous quarter AA of \$.8652, which was included in Citipower’s calculation

of its Total AA, should have expired from its rates July 1, 2011. Citipower's total AA represents a decrease of \$1.1585 per Mcf from its previous AA of \$1.1768.

5. Citipower's September 1, 2011 filing for rates effective October 1, 2011, should include AA calculations for the six months ended June 30, 2011.

6. Citipower's notice sets out no current quarter Balance Adjustment ("BA"). Citipower's total BA is (\$.0183) per Mcf, which is a decrease of \$.0012 per Mcf from its prior total BA of (\$.0171) per Mcf. The (\$.0183) BA reflects the expiration of a previous quarter BA in the amount of \$.0012.

7. These combined adjustments produce a GCA of \$6.1476 per Mcf, which is a decrease of \$1.1595 per Mcf from the previous rate of \$7.3071 per Mcf.

8. The rates in the Appendix to this Order are fair, just and reasonable, and should be approved for billing for service rendered on and after the date of this Order.

IT IS THEREFORE 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 the date of this Order.

3. Within 20 days of the date of this Order, Citipower shall file its revised tariffs with the Commission setting out the rates authorized herein and reflecting that they were approved pursuant to this Order.

4. Citipower's September 1, 2011 filing for rates effective October 1, 2011 shall include AA calculations for the six months ended June 30, 2011.

By the Commission

ENTERED 
AUG 15 2011
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director

Case No. 2011-00081

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2011-00081 DATED **AUG 15 2011**

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>	Gas Cost Recovery <u>Rate</u>	<u>Total</u>
Volumetric Rate	\$7.6492	\$ 6.1476	\$13.7968

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>	Gas Cost Recovery <u>Rate</u>	<u>Total</u>
Volumetric Rate	\$6.6492	\$ 6.1476	\$12.7968

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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