

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF CITIPOWER,)	
LLC FOR (1) AN ADJUSTMENT OF RATES)	
PURSUANT TO 807 KAR 5:076; (2))	
APPROVAL FOR A CERTIFICATE OF PUBLIC)	CASE NO.
CONVENIENCE AND NECESSITY TO)	2019-00109
PURCHASE PIPELINE AND OTHER)	
RELATED ASSETS; AND (3) APPROVAL OF)	
FINANCING)	

COMMISSION STAFF'S SECOND REQUEST
FOR INFORMATION TO CITIPOWER, LLC

Citipower, LLC (Citipower), pursuant to 807 KAR 5:001, is to file with the Commission the original and an electronic version of the following information. The information requested herein is due on or before August 19, 2019. Responses to requests for information in paper medium shall be appropriately bound, tabbed, and indexed. Electronic documents shall be in portable document format (PDF), shall be searchable, and shall be appropriately bookmarked.

Each response shall include the name of the witness responsible for responding to the questions related to the information provided. Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Citipower shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which Citipower fails or refuses to furnish all or part of the requested information, it shall provide a written explanation of the specific grounds for its failure to respond completely and precisely.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations. When filing a paper containing personal information, Citipower shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Refer to the line graphs produced in response to Commission Staff's First Request for Information (Staff's First Request), Item 1.
 - a. Provide copies of the line graphs in which all of the information at the edge of the graphs is visible (e.g., the annual production (mcf), the years, etc.).¹
 - b. State whether the annual production represented for each year is the total production for a given 12-month period, and explain how those periods are divided (e.g., does the annual production for 2009 represent the annual production from October 2008 to September 2009).

¹ Commission Staff observe that some of the information did not show up in the scan of the graphs that was originally filed with the Commission and would direct Citipower to its responses to Staff's Request on the Commission's website to see the information that did not show up in the scan.

2. Refer to Citipower's response to Staff's First Request, Item 5(d), in which Citipower stated that when gas is purchased from Citizens Gas Utility (Citizens) that it has to be transported through a pipeline owned by Citigas, LLC (Citigas), which charges a fee to transport the gas to Citipower's distribution lines in Kentucky, and Citipower's response to Staff's First Request, Item 7(a), in which Citipower broke out the "Purchase Cost / Mcf" and the cost per Mcf paid to Citigas as \$2.21.

a. State whether the column showing the "Purchase Cost / Mcf" represents the amount paid to Citizens, and if not, explain what it represents.

b. Explain how the \$2.21 per Mcf fee paid by Citipower to Citigas for the transportation of gas from Citizens was determined, and explain why Citipower contends that the fee is reasonable.

c. Provide all contracts and tariffs under which Citipower made payments to Citigas in 2018 related to the transportation of gas from Citizens.

d. Describe any oral contracts or agreements under which Citipower made payments to Citigas in 2018 related to the transportation of gas from Citizens.

3. Refer to Citipower's response to Staff's First Request, Item 9(a) in which it stated that it expects to be able to purchase gas off the system of Delta Natural Gas, Inc. (Delta), at the monthly NYMEX settlement price plus \$1.25 per Dekatherm (Dth).

a. Provide the monthly NYMEX price for each of the last 12 months.

b. Explain why Citipower expects that it will be able to purchase gas off Delta's system at the monthly NYMEX settlement price plus \$1.25 per Dth.

State whether the "monthly NYMEX settlement price plus \$1.25 per Dth" referred to therein includes the cost of the gas and all costs paid to third parties for transportation of

the gas from the point of acquisition to the point where the gas would enter the Herbert White pipeline, and if not, identify any additional such costs and explain how they were estimated.

4. Refer to Citipower's response to Staff's First Request, Item 10 in which Citipower indicated that it expected the maintenance and operation cost of a new 20 mile pipeline to be about the same as those for the Herbert White pipeline.

a. Confirm that the Herbert White pipeline and all associated property Citipower is proposing to purchase includes approximately 34 miles of 6-inch pipe and 35 miles of 4- to 2-inch pipes.

b. Explain why Citipower contends that the operation and maintenance expense for Herbert White pipeline, which contains approximately 69 miles of pipe, would be consistent with the operation an maintenance expense for new pipeline containing only 20 miles of pipe.

5. Refer to Citipower's response to Staff's First Request, Item 11, in which Citipower discussed the pipeline constructed in 2015. Identify where that pipeline is located and what it connects, describe the material from which the pipeline is constructed, explain how that pipeline is currently used, and describe any amounts charged for transmission on that pipeline.

6. Refer to Citipower's response to Staff's First Request, Item 12(c), in which it stated that the Herbert White pipeline was constructed from "HDPE" pipe, that "HDPE" pipe is expected to last 50 to 100 years, and that the "life of the pipeline should be well in excess of 50 years."

a. Confirm that “HDPE” pipe as used therein is referring to high-density polyethylene pipe, and if you can not confirm, explain what is meant by “HDPE.”

b. When Citipower stated that the “life of the pipeline should be well in excess of 50 years,” explain whether Citipower was referring to the remaining useful life or the life of the pipeline from the time of construction.

c. Explain why in response to Staff’s First Request, Item 10(a), Citipower estimated the useful life of a new pipeline as 30 to 50 years but estimated the life of Herbert White pipeline in response to Staff’s Request, Item 12(c), to be in excess of 50 years.

7. Refer to the response to Commission Staff’s First Request, Item 12. Based on the response, explain why it would not be more prudent to use a useful life of greater than 40 years.

8. Provide a map showing each of the portions of the Herbert White pipeline that were replaced as described in Citipower’s response to Staff’s First Request, Item 12(b), and describe the length of those portions that were replaced.

9. Refer to Citipower’s response to Staff’s First Request, Item 14, in which Citipower indicated that it already has a working knowledge of the pipeline and its integrity.

a. Provide Citipower’s opinion of the conditions of the Herbert White pipeline and its integrity, and explain the basis for its opinion based on its knowledge of the pipeline.

b. State whether Citipower anticipates that any significant work will be necessary on the Herbert White pipeline in the next ten years, and if so, describe the work

that Citipower expects will be necessary, when Citypower expects that the work will be needed, and the expected cost of the work.

10. Refer to Citipower's response to Staff's First Request, Item 17, in which Citipower indicated that it is currently being used as a gas gathering pipeline for delivery into Delta's system.

a. Identify each person, company, or other entity that is currently using the Herbert White pipeline to transport gas to Delta's system.

b. Identify the approximate amount of gas that is transported annually through the Herbert White pipeline to be sold into Delta's system.

c. Explain what Citipower anticipates those transporting gas over the Herbert White pipeline will do with their gas when Citipower takes over the pipeline and uses it to transport gas from Delta's system to its system.

d. State whether the Herbert White pipeline or any portion thereof is currently subject to the pipeline safety requirements in 49 CFR Part 192.

e. Explain in detail whether and why Citipower contends that its purchase or use of the Herbert White pipeline will change its status and subject it to additional safety requirements pursuant to 49 CFR Part 192, and if so, describe any upgrades to the Herbert White pipeline that will be necessary to comply with those additional safety requirements and provide the estimated cost of the same.

11. Refer to Citipower's response to Staff's First Request, Item 19, in which it stated that there are currently 19 end users being supplied directly by the Herbert White pipeline.

a. Describe the 19 end users by customer class and their expected usage.

b. If those end users seek to continue to obtain gas from the Herbert White pipeline upon Citipower's purchase of the pipeline, state whether and explain why Citipower contends that the current end users and others that might seek to attach would be entitled to service that complies with the service requirements for utility customers provided in 807 KAR 5:022, and if not, explain the type of service to which they would be entitled.

c. Regardless of whether Citipower contends that it would be required to meet the service requirements of 807 KAR 5:022 for customers attached to the Herbert White Pipeline, state whether Citipower would be able to do so without upgrading the pipeline, and if not, describe any upgrades to the Herbert White pipeline that will be necessary to meet those service requirements.

12. Refer to Citipower's response to Staff's First Request, Item 24.

a. Describe the "Professional Services" invoiced by John Forsberg, the number of hours that John Forsberg worked during each period invoiced, and John Forsberg's rate of pay for the "Professional Services."

b. Explain what is meant by the notation "I/C CP" that appears to be handwritten on several of the invoices for services provided by John Forsberg.

c. Describe John Forsberg's relationship to Dan Forsberg.

13. Refer to Citipower's response to Staff's First Request, Item 34.

a. Confirm that Citipower has no general liability insurance policy. If you can not confirm, provide a copy of the declarations page for any general liability policy under which Citipower contends it has coverage.

b. If Citipower has no general liability coverage, explain why.

14. Refer the Excel spreadsheet entitled "Response_29_-_2018GL" produced in response to Staff's First Request, Item 29.

a. Explain what the amounts in lines 2234 through lines 2248 billed by Forexco, Inc., to "REIMBURSE LAUGHLIN FEE" were billed for.

b. Explain the nature of the work that R.L. Laughlin & Company, Inc., performs for Citipower and each of its affiliates, and explain specifically and in detail how Citipower allocates those costs between Citipower and each affiliate.

c. Explain why Citipower made each payment to Forexco, Inc., shown in lines 7, 37, 55, 59, 94, and 151, and provide the invoices for those amounts if they have not been provided.

15. Refer to the Excel spreadsheet entitled "Response_29_-_2018GL" produced in response to Staff's First Request, Item 29, in which it shows payments to "Paddock Oil and Gas, Inc."

a. Describe all work Paddock Oil & Gas, Inc., performs on behalf of Citipower.

b. Provide any written agreements between Paddock Oil & Gas, Inc., and Citipower.

c. Provide any invoices from Paddock Oil & Gas, Inc., to Citipower for work completed in 2018 and 2019.

d. Describe any oral agreements between Paddock Oil & Gas, Inc., and Citipower.

e. Explain why Citipower contends that the payments to Paddock Oil & Gas, Inc., are reasonable.

16. Refer to the Excel spreadsheet entitled "Response_29_-_2018GL" produced in response to Staff's First Request, Item 29, in which it shows payments to "CitiEnergy, LLC."

a. Describe all work CitiEnergy, LLC, performs on behalf of Citipower.

b. Provide any written agreements between CitiEnergy, LLC, and Citipower.

c. Provide any invoices from CitiEnergy, LLC, to Citipower for work completed in 2018 and 2019.

d. Describe any oral agreements between CitiEnergy, LLC, and Citipower.

e. Explain specifically and in detail how costs incurred by CitiEnergy, LLC, are allocated to Citipower and each affiliate.

f. Provide all cost allocation manuals or procedures used to allocate CitiEnergy, LLC's costs between Citipower and its affiliates.

g. Explain why Citipower contends that the payments to CitiEnergy, LLC, are reasonable.

17. Refer to the Excel spreadsheet entitled "Response_29_-_2018GL" produced in response to Staff's First Request, Item 29, at lines 2028 through 2040 showing payments in the amount of \$299,523.49 to Citigas, LLC, for the purchase of gas

and the Schedule of Adjusted Operations filed with Citipower's application showing gas purchase costs in the amount of \$299,523.00.

a. Confirm that Citipower purchased all of its gas, including gas produced by Forexco, Inc., from Citigas, LLC, and if Citipower can not confirm, explain why it is not able to confirm.

b. Confirm that Citigas, LLC, obtains all gas sold or otherwise provided to Citipower from Forexco, Inc., or Citizens, and if Citipower can not confirm, explain why Citipower is not able to confirm.

c. Provide any written contract or agreement between Citigas, LLC, and Citipower related to the supply of gas.

d. Describe all material provisions of every oral contract or agreement between Citigas, LLC, and Citipower related to the supply of gas.

e. Provide any invoices from Citigas, LLC, to Citipower for gas supplied in 2018 and 2017.

f. State whether gas produced by Forexco, Inc., and supplied by Citigas, LLC, to Citipower travels through any lines owned by Citigas, LLC, and if so, identify the length and location of those lines.

g. State whether Citigas, LLC, marks up the gas obtained from Forexco, Inc., before selling it to Citipower, and if so, provide the amount of and explain the basis for any such mark-up.

18. Refer to the response to Staff's First Request, Item 39 b. Provide any available documentation, cost estimate, or quote provided by vendors to perform a cost-

of-service study (COSS) to justify Citipower's response that a COSS was not performed "due to the costly nature."

19. Refer to the response to Staff's First Request, Item 40.

a. Provide the total revenue requirement relied upon in the response to this request.

b. Explain how the required revenue increase requires that the current rates must be increased by 54.99 percent across the board to achieve the revenue requirement as stated in the application.

c. Provide all workpapers, assumptions, and analyses on the calculation of the rates as requested in Item 40 as an across-the-board increase in the current rates. Provide this calculation and supporting information in Excel spreadsheet format with all rows and columns unprotected and accessible.

20. Refer to the map showing the location of the Herbert White pipeline and Delta's pipeline produced as an attachment to the application.

a. Provide a version of this map highlighting or otherwise indicating the route Citipower expects gas to travel through the Herbert White pipeline from Delta's system to Citipower's system and any existing interconnection between Delta's pipeline and the Herbert White pipeline.

b. Identify the maximum amount of gas that could be transported on the Herbert White pipeline from Delta's system to Citipower's system if no modifications are made to the pipeline.

c. Confirm that the only current interconnection between the Herbert White pipeline and Delta's pipeline is a two-inch pipe, and if so, identify the length of two-

inch pipe through which the gas would have to travel from Delta's system on its way to Citipower's system before it reached a larger pipe, and identify the maximum capacity of that section of two-inch pipe.

d. Explain what the "leases" shown on the map represent, and if known, identify the owner of the "leases."

21. Refer to the Revenue Requirement Calculation attached to Citipower's application.

a. Confirm that the "Interest Expense" of \$96,658.00 as shown in the Revenue Requirement Calculation only contains the interest expense on the loan for which approval is requested herein, and if Citipower can not confirm, identify the lender, the principal amount, the interest rate, and the annual interest for any debt for which interest was included in the \$96,658.00 for the Interest Expense.

b. Identify the principal amount, the interest rate, and the payment schedule that Citipower used to calculate the Interest Expense in the revenue requirement for the loan for which approval is requested herein, and explain why you used those values to calculate the interest expense on that loan.

c. State what effect the Federal Reserve's July 2019 rate cut will have on the calculation of Citipower's interest expense in the revenue requirement, and explain each basis for Citipower's response.

22. Refer to the Citipower's application in which it indicated that it expected to be able to obtain gas it is currently getting from Citizens through the Herbert White pipeline at a rate consistent with the rate it is obtaining gas from Forexco, Inc., which is lower than the rate at which it is obtaining gas from Citizens.

a. State when Citipower expects this decrease in the cost of gas to be reflected in customer rates.

b. State whether Citipower contends that it would be reasonable to reflect this expected decrease in the cost of gas in rates, whether in base rates, Citipower's Gas Cost Recovery rate, or some other rate rider or surcharge at the time that any increase in the costs associated with the purchase of the Herbert White pipeline is reflected in rates. Explain the basis for your response.

23. Refer to the Schedule of Adjusted Operations attached to the application in which Citipower made a pro forma adjustment to "Miscellaneous Service Revenues" in the amount of \$27,375.00.

a. State whether the adjustment to "Miscellaneous Service Revenues" reflects an increase in amounts earned from transporting gas over the Herbert White pipeline.

b. Explain how that amount was estimated, and provide and explain any estimates or assumptions Citipower made to estimate that amount.

24. Refer to recent Commission cases in which the Commission has generally found that the payment of 100 percent of employees health insurance and related premiums is not a reasonable cost and in which the Commission has utilized the average employee contribution rates in the Bureau of Labor Statistics report to adjust utilities' health insurance premium expense when a utility has not required employees to pay any portion of health insurance premiums.²

² See, e.g. Case No. 2018-00129, *Application of Inter-County Energy Cooperative Corporation for a General Adjustment of Existing Rates*, Order (Ky. PSC Jan. 25, 2019).

a. Explain why Citipower contends that it is reasonable to continue to pay 100 percent of the premiums for employees' health insurance.

b. Identify the job title and describe the work duties and necessary training for each employee of Citipower for which Citipower pays 100 percent of the employees' health insurance premium costs, and explain whether, and if so why, Citipower contends it is necessary to provide that benefit to retain the employees.

25. a. State whether the rates proposed by Citipower include any expenses for the preparation of this case, and if so, identify those expenses and provide detailed invoices for those expenses.

b. Identify all expenses incurred in preparing this case, regardless of whether the expenses were used to calculate Citipower's proposed rates, and provide detailed invoices for those expenses.

26. Assuming the Commission approved Citipower's Certificate of Public Necessity and Convenience on September 27, 2019:

a. State when Citipower expects that it will know whether it will be able to reach an agreement for the purchase of the Herbert White pipeline and explain the basis for Citipower's response;

b. State when Citipower expects that it will finalize the financing for the pipeline, and explain the basis for Citipower's response; and

c. State when Citipower expects that it will begin transporting natural gas through the Herbert White pipeline and explain the basis for Citipower's response.

27. a. State whether Citipower has sought or obtained financing terms from a lender other than the institution identified in the Letter of Interest attached to the application.

b. If not, explain why Citipower has not sought or obtained terms from another lender to determine if another lender could provide more favorable terms.

c. If so, please identify each such lender from which it obtained terms, and provide the material terms offered by each such lender.

28. State whether Citipower is currently acting as the guarantor of any loan and whether its property is currently being used as collateral for any loan, and if so, identify the borrower for the loan, the current balance of the loan, the interest rate for loan, the payment schedule for the loan, and the case in which Citipower obtained approval from the Commission to act as guarantor or to pledge its property to guarantee a loan.

29. State whether Citipower anticipates that additional customers will seek to obtain service from Citipower if it purchases the pipeline, and if so, estimate the number of such customers, by customer class, that Citipower anticipates will seek to obtain service if it purchases the pipeline.

30. Confidential: [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED].

31. Confidential: [REDACTED]

[REDACTED]

[REDACTED]

a.

[Redacted]

b.

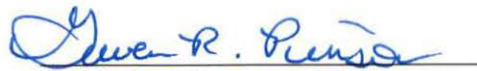
[Redacted]

c.

[Redacted]

d.

[Redacted]



Gwen R. Pinson
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

DATED AUG 05 2019

cc: Parties of Record

*CitiPower, L.L.C.
37 Court Street
P. O. Box 1309
Whitley City, KY 42653

*L Allyson Honaker
Goss Samford, PLLC
2365 Harrodsburg Road, Suite B325
Lexington, KENTUCKY 40504

*David S Samford
Goss Samford, PLLC
2365 Harrodsburg Road, Suite B325
Lexington, KENTUCKY 40504