

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED GAS ADJUSTMENT )      CASE NO.  
FILING OF CITIPOWER, LLC )      2021-00332

ORDER

On August 30, 2021, Citipower, LLC (Citipower) filed its Gas Cost Recovery (GCR) rate report, for rates effective as of October 1, 2021. On September 16, 2021, Citipower responded to one round of discovery from Commission Staff (Staff's First Request). Citipower's previous GCR rate was approved in Case No. 2021-00219.<sup>1</sup>

The Commission's standard of review for GCR rates is set forth in KRS 278.274(1):

In determining whether proposed natural gas utility rates are just and reasonable, the commission shall review the utility's gas purchasing practices. The [C]ommission may disallow any costs or rates which are deemed to result from imprudent purchasing practices on the part of the utility.

Further, the utility bears the burden of proof to show that the rates are just and reasonable, under KRS 278.190(3). The Commission may make adjustments to the purchased gas component of the utility's rates or the rates charged by an affiliated company to the extent the amount is deemed to be unjust or unreasonable.<sup>2</sup>

After reviewing the evidence of record and being otherwise sufficiently advised, the Commission finds that:

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<sup>1</sup> Case No. 2021-00219, *Electronic Purchased Gas Adjustment Filing of Citipower, LLC* (Ky. PSC June 9, 2021).

<sup>2</sup> KRS 278.274(2); KRS 278.274(3)(c); and KRS 278.274(3)(d).

1. Citipower's report proposes revised rates designed to pass on to its customers its expected change in gas costs.

2. Citipower's report sets out an Expected Gas Cost (EGC) of \$6.6132 per Mcf, which is an increase of \$1.1460 per Mcf from its previous EGC of \$5.4672 per Mcf. The EGC is based on Citipower's expected cost of gas from its primary supplier, Citigas, LLC (Citigas), a Citipower affiliate pursuant to KRS 278.010(18).<sup>3</sup> Citigas obtains its natural gas from Greystone, LLC (Greystone).<sup>4</sup> The base unit cost of gas charged to Citigas by Greystone is calculated using the New York Mercantile Exchange (NYMEX) Natural Gas Twelve-Month strip rate for September 2021, and a \$1.5000 per Mcf fee from Greystone. Citigas then charges Citipower that rate and an additional marketing fee, which is 20 percent of the rate Citigas is charged by Greystone.<sup>5</sup>

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

4. Citipower's report sets out a current quarter Actual Cost Adjustment (ACA) of \$0.0000 per Mcf. The actual cost of gas paid by Citipower from Citigas is based on the same gas costs approved for previous EGC rates effective for each subsequent quarter.<sup>6</sup>

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<sup>3</sup> Due to Citigas being a Citipower affiliate, the Commission pursuant to KRS 278.274(3)(b), shall ensure that the rates charged by the affiliate and ultimately to the consumer are just and reasonable and that an arm-length transaction has occurred.

<sup>4</sup> Citipower's Response to Staff's First Request, Item 4.

<sup>5</sup> *Id.*, Item 3(b).

<sup>6</sup> See, Case No. 2021-000096, *Electronic Purchased Gas Adjustment Filing of Citipower, LLC*, (Ky. PSC Mar. 31, 2021). The Commission approved an EGC rate of \$5.3932 per Mcf based on the NYMEX Natural Gas Twelve-Month strip rate of \$3.1610, plus \$1.5000 per Mcf fee from Greystone, plus the 20% marketing fee (\$0.9320 per Mcf) from Citigas for rates effective April 1, 2021. Citigas was then charged a \$4.6610 per Mcf rate from Greystone for usage during the quarter months of April, May, and June 2021. Citigas then included in its invoice to Citipower the 20% marketing fee of \$0.9320 per Mcf used to calculate the approved EGC rate for that same quarter. This resulted in an almost perfect pass through of gas costs where the Commission approved an EGC rate of \$5.3932 per Mcf and Citipower through Citigas was charged a gas cost of \$5.3932 per Mcf.

In response to Staff's First Request, Citipower stated that the Previous Quarter ACA was incorrectly stated as (\$0.0001) per Mcf and the correct quarter is \$0.0828 per Mcf as approved by the Commission in Case No. 2021-00219.<sup>7</sup> Citipower's corrected total ACA is \$0.1147 per Mcf, which is a decrease of \$0.0722 per Mcf from its previous total ACA of \$0.1869 per Mcf.

5. The Commission finds that, under the facts set forth above, a situation is created where the expected cost of gas and the actual cost of gas are almost equal allowing for instances where the quarter ACA rate is zero. Additionally, due to an arrangement with Greystone, Citipower only pays for the actual customer metered gas volumes sold, thus removing any lost or unaccounted gas volumes from pass through to Citipower's customers.<sup>8</sup> As a result, the EGC and ACA calculations allow for an almost straight pass through of rates from Greystone to Citigas, and then to Citipower's customers. The Commission notes that, in prior GCR rate cases, Citipower routinely purchased natural gas from a second supplier, Citizens Gas Utility District (Citizens), which caused the actual cost of gas to fluctuate from the expected cost of gas and would not have resulted in an ACA quarter to be equal to zero.<sup>9</sup> The Commission will continue

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<sup>7</sup> Case No. 2021-00219, *Electronic Purchased Gas Adjustment Filing of Citipower, LLC* (Ky. PSC June 9, 2021) at 2.

<sup>8</sup> Citipower's Response to Staff's First Request, Item 7.

<sup>9</sup> See Case No. 2019-00109, *Electronic Application of Citipower, LLC for (1) an Adjustment of Rates Pursuant to 807 KAR 5:076; (2) Approval for a Certificate of Public Convenience and Necessity to Purchase Pipeline and Other Related Assets; and (3) Approval of Financing*, (Ky. PSC Sept. 27, 2019). Citipower indicated that it would decrease purchases from Citizens, stating that Citizens has supplied gas to Citipower on demand for peaking volumes but the cost makes it economically prohibitive for its base gas supply, and Citipower was seeking options to purchase cheaper gas elsewhere. On September 27, 2019, the Commission granted Citipower's request for a Certificate of Public Convenience and Necessity (CPCN) to purchase the Herbert White Pipeline and for financing approval. Citipower will still sometimes purchase from Citizens but only for peaking volumes when necessary.

to monitor Citipower's affiliate transactions to ensure there is no imprudent purchasing practices on the part of the utility. Citipower should continue to file with the Commission its GCR rate report any invoices it receives from its supplier.

6. Citipower's report sets out a current quarter Balance Adjustment (BA) of (\$0.0188) per Mcf. Citipower's total BA is (\$0.0125) per Mcf, which is a decrease of \$0.0121 per Mcf from its previous total BA of (\$0.0004) per Mcf.

7. Citipower's corrected GCR rate is \$6.7154 per Mcf, which is an increase of \$1.0617 per Mcf from the previous GCR rate of \$5.6537 per Mcf.

8. The rates set forth in the Appendix to this Order are fair, just and reasonable and should be approved for service rendered by Citipower on and after October 1, 2021.

9. Should Citipower purchase sustainable natural gas from a renewable source during the reporting period of any future GCR reports, then the supplier, cost, and amount must be documented in its cover letter to the Commission.

IT IS THEREFORE ORDERED that:

1. The rates proposed by Citipower are denied.
2. The rates set forth in the Appendix to this Order are approved for service rendered on and after October 1, 2021.
3. Within 20 days of the date of entry of this Order, Citipower shall file with this Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets setting out the rates approved herein and reflecting that they were approved pursuant to this Order.
4. This case is closed and removed from the Commission's docket.

By the Commission



ATTEST:

  
Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2021-00332 DATED SEP 29 2021

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 the authority of the Commission prior to the effective date of this Order.

RESIDENTIAL

	<u>Base Rate</u>	<u>Gas Cost Recovery Rate</u>	<u>Total</u>
All Mcf	\$ 12.3897	\$6.7154	\$19.1051

COMMERCIAL AND INDUSTRIAL

	<u>Base Rate</u>	<u>Gas Cost Recovery Rate</u>	<u>Total</u>
All Mcf	\$ 12.4688	\$6.7154	\$19.1842

INSTITUTIONAL

	<u>Base Rate</u>	<u>Gas Cost Recovery Rate</u>	<u>Total</u>
All Mcf	\$ 13.2893	\$6.7154	\$20.0047

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

\*Adam Forsberg  
Controller  
Citipower L.L.C.  
2122 Enterprise Road  
Greensboro, NORTH CAROLINA 27408