

**ROBERT L. BROWN III**  
ATTORNEY AT LAW  
1005 SOUTH MAIN STREET  
CORBIN, KENTUCKY 40701

(606) 528-3073  
FAX (606) 528-3289

March 15, 2005

RECEIVED  
MAR 17 2005  
PUBLIC SERVICE

Public Service Commission  
Ms. Beth O'Donnell  
Executive Director  
211 Sower Blvd.  
P.O. Box 615  
Frankfort, KY 40602

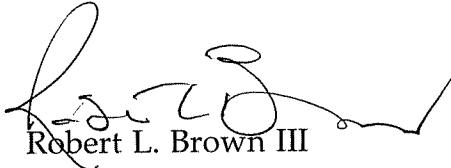
**RE: APPLICATION OF CITIPOWER, LLC FOR APPROVAL OF  
REORGANIZATION PROPOSAL  
CASE NUMBER 2004-00444**

Dear Ms. O'Donnell:

Enclosed please find an original and six copies of the Supplemental Response to Commission Staff's Second Data Request to Citipower, LLC. Please file the same at your earliest convenience.

Should you have any questions concerning this matter, please do not hesitate to contact me.

Sincerely,

  
Robert L. Brown III

RLB/ca

Enclosures

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

MAR 17 2005

PUBLIC SERVICE  
COMMISSION

In the Matter of:

CITIPOWER, LLC

APPLICATION OF CITIPOWER, LLC FOR  
APPROVAL OF REORGANIZATION PROPOSAL

CASE NO. 2004-00444

**SUPPLEMENTAL RESPONSE TO COMMISSION STAFF'S SECOND DATA  
REQUEST TO CITIPOWER, LLC**

Comes now Citipower, LLC, ("Citipower") by and through the undersigned counsel, and states the following supplemental response to the Commission Staff's Second Data Request to Citipower, LLC, with regard to the above-referenced case number:

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF CITIPOWER, LLC FOR  
APPROVAL OF REORGANIZATION PROPOSAL

CASE NO. 2004-00444

5. Refer to Citipower's Response to Staff's First Request, Item 2. With the exception of the LBU, LLC Investment and Citigas LLC Investment account reductions, explain how the utility calculated the change in all other accounts affected by the reorganization.

**SUPPLEMENTAL RESPONSE:** The difference in cash between the current balance sheet and the projected balance sheet after reorganization is based upon the historical creation of cash reserves from non-regulated and regulated activities. No exact formula was used in this determination, however, past experience was relied upon to estimate the working capital use and needs for the resulting separate entities. It is anticipated that if additional cash is needed within the regulated entity, then funds from the holding company, or third party financing, can be obtained.

The reduction in note payables was based upon conversations with the PSC and the approximation of the indebtedness that came from non-regulated activities of Citipower. Likewise, the capital and retained earning accounts are also based upon an approximation of the historical differentiation between regulated and non-regulated activities.

*Law Offices of  
Robert L. Brown III  
1005 South Main Street  
Corbin, Kentucky 40701  
Attorney for Citipower, LLC*

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF CITIPOWER, LLC FOR  
APPROVAL OF REORGANIZATION PROPOSAL

CASE NO. 2004-00444

6. Refer to Citipower's Response to Staff's First Request, Item 4. The response states, "[i]n late December, 2004, Forexco repaid all debt owed to Citipower, L.L.C." Will Citipower use this money to pay off the debt of \$250,000 owed to the Bank of McCreary County. If yes, when? If no, why not?

**SUPPLEMENTAL RESPONSE:** Again, Citipower would like to reiterate that the \$250,000.00 indebtedness will not be paid immediately due to the current valuation of current working capital needs. Also, comments and approval of the reorganization application is needed before this decision can be made. With reference to any statutory timing issue of this loan, Citipower would like to correct the comment made on the first page of its Application for Reorganization in that the line of credit in question was paid down to zero several times, the last time being November 23, 2001 (an attached loan history is included as Exhibit A on the Application for Reorganization previously filed with the Public Service Commission). Thereafter, this indebtedness was refinanced into the One Million Dollar debt on November 19, 2002. Approximately \$250,000.00 of this refinanced indebtedness was used for regulated activities.

*Law Offices of  
Robert L. Brown III  
1005 South Main Street  
Corbin, Kentucky 40701  
Attorney for Citipower, LLC*

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF CITIPOWER, LLC FOR  
APPROVAL OF ORGANIZATION PROPOSAL

CASE NO. 2004-00444



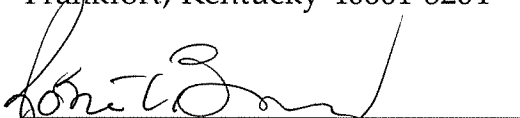
Law Offices of  
Robert L. Brown III  
1005 South Main Street  
Corbin, Kentucky 40701  
Telephone: (606) 528-3073  
*Attorney for Citipower, LLC*

**CERTIFICATE**

I hereby certify that the above and foregoing was on the 15 day of March, 2005, served by mailing the original and six true and exact copies of same, all postage prepaid, addressed for delivery to:

Ms. Beth O'Donnell  
Executive Director  
COMMONWEALTH OF KENTUCKY  
PUBLIC SERVICE COMMISSION  
211 Sower Building  
P. O. Box 615  
Frankfort, Kentucky 40602

Hon. Gregory D. Stumbo  
Attorney General  
David Edward Spenard  
Assistant Attorney General  
1024 Capital Center Drive  
Suite 200  
Frankfort, Kentucky 40601-8204



Robert L. Brown III