

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED GAS ADJUSTMENT)	CASE NO.
FILING OF CITIPOWER, LLC)	2015-00073

ORDER

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 Purchased Gas Cost Adjustment Clause.

On March 2, 2015, Citipower filed its Gas Cost Recovery (“GCR”) rate application with a proposed effective date of April 1, 2015.

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

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

2. Citipower’s proposed Expected Gas Cost (“EGC”) is \$4.0358 per Mcf, which is a decrease of \$1.0549 per Mcf from the prior EGC of \$5.0907 per Mcf. Citipower’s average 12-month EGC is based in part on the expectation that it will need to buy 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 February 2015. The EGC is otherwise based on

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).

Citipower's expected cost of gas from its primary supplier, Citigas, LLC, ("Citigas") [an affiliate pursuant to KRS 278.010(18)], using the New York Mercantile Exchange Natural Gas 12-Month strip rate for March 2015.

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

4. Citipower's notice sets out a current quarter Actual Cost Adjustment ("ACA") of \$.0505 per Mcf. Because Citipower did not use the \$4.84-per-Mcf rate quoted by Citigas in Case No. 2014-00391² for the months of October through December 2014 in calculating its Total Cost Difference, an adjustment should be made to set the Unit Cost of Gas to the price quoted by Citigas for the months of October and December 2014. Citipower also miscalculated its monthly cost difference for December 2014 by not using the invoiced amount charged by Citizens Gas for volumes purchased from that supplier. Correcting this produces a current quarter ACA of (\$.0597) per Mcf. Citipower did not use the approved \$.4030 per Mcf Third Previous Quarter ACA in the calculation of its total ACA. Citipower's corrected total ACA is \$.3259 per Mcf, which is a decrease of \$.0497 per Mcf from its previous total ACA of \$.3756 per Mcf.

5. In response to Item 3.a. of Commission Staff's Initial Request for Information, Citipower stated that Citigas bills Citipower based on the EGC as filed in Citipower's GCR application. The purpose of the GCR is to pass through to customers the cost of gas on a dollar-for-dollar basis. The Commission will continue to ensure that the price paid for gas by Citipower's customers matches the market-based price quoted in notices supplied by its affiliate Citigas, which are included in Citipower's GCA applications. If the market price for gas fluctuates significantly between applications

² Case No. 2014-00319, *Purchased Gas Adjustment Filing of Citipower, LLC* (Ky. PSC Sept. 29, 2014).

resulting in Citipower's costs from Citigas being different from the price originally quoted, the Commission notes that Citipower has the ability to file an interim GCR application, based on the documented change in the market price for gas from Citigas, pursuant to the provisions of its Purchased Gas Cost Adjustment tariff.

6. Citipower's notice sets out a current quarter Balance Adjustment ("BA") of \$.0004 per Mcf. Citipower calculated its BA to reconcile only the expired \$.0040 per Mcf BA factor from Case No. 2013-00433,³ and did not include the expired ACA factor of (\$.0129) per Mcf from that same case. Also, for the months of October through December 2014, Citipower charged its sales customers based on the GCR rate of \$6.0605 per Mcf instead of the \$5.5544 per Mcf that was approved in Case No. 2014-00319⁴ to be effective October 1, 2014. To effectively refund the amount over-collected by Citipower, an adjustment to include a credit in the amount of \$11,008 should be made to Citipower's current quarter BA. Citipower's corrected current quarter BA is (\$.1400) per Mcf. Citipower's corrected total BA is (\$.1206) per Mcf, which is a decrease of \$.1473 per Mcf from its previous total BA of \$.0267 per Mcf.

7. Citipower's corrected GCR is \$4.2411 per Mcf, which is a decrease of \$1.2519 per Mcf from the previous GCR of \$5.4930 per Mcf.

8. To aid in the Commission's review of Citipower's applications, Citipower should submit all invoices it receives from Citigas or Citizens Gas when it files its GCR applications.

³ Case No. 2013-00433, *Purchased Gas Adjustment Filing of Citipower, LLC* (Ky. PSC Jan. 8, 2014).

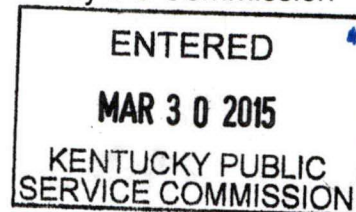
⁴ Case No. 2014-00319, *Purchased Gas Adjustment Filing of Citipower, LLC* (Ky. PSC Sept. 29, 2014).

9. The rates in the Appendix to this Order are fair, just, and reasonable and should be approved for service rendered by Citipower on and after April 1, 2015.

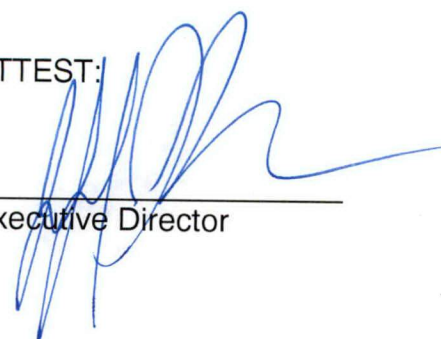
IT IS THEREFORE ORDERED that:

1. The rates proposed by Citipower are denied.
2. The rates in the Appendix to this Order are approved for service rendered on and after April 1, 2015.
3. Citipower shall submit all invoices received from Citigas and Citizens Gas as part of all future GCR filings.
4. Within 20 days of the date 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.

By the Commission



ATTEST:



Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2015-00073 DATED **MAR 30 2015**

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	\$7.6492	\$4.2411	\$11.8903

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	\$6.6492	\$4.2411	\$10.8903

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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