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July 13, 2004

Public Service Commission
% Executive Director
211 Sower Blvd.
P.O. Box 615
Frankfort, KY 40602

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JUL 15 2004

PUBLIC SERVICE
COMMISSION

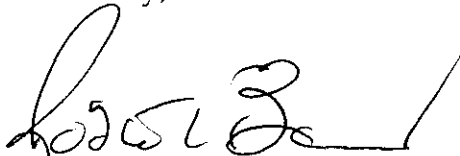
RE: CITIPOWER, LLC - RESPONSE TO ORDER DATED JUNE 1, 2004

Dear Director:

Enclosed please find an original Response to Order Dated June 1, 2004 as it relates to the above-mentioned matter to be properly filed.

Thank you for your assistance in this matter, and should you have any questions please do not hesitate to contact me.

Sincerely,



Robert L. Brown III

RLB/ca

Enclosure

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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COMMISSION

In the Matter of:

CITIPOWER, LLC

ALLEGED FAILURE TO COMPLY WITH
KRS 278.300 AND KRS 278.020(1)

CASE NO. 2004-00101

RESPONSE TO ORDER DATED JUNE 1, 2004

Comes now Citipower, LLC, ("Citipower") by and through the undersigned counsel, and states the following response to the Public Service Commission's Order of June 1, 2004 and the Public Service Commission's Order of June 22, 2004 with regard to the above-referenced case number:

1. The record supports a timeframe of several years during which the Public Service Commission ("Commission") and Citipower have addressed various regulatory issues regarding the operation of Citipower as a distribution provider of natural gas to the citizens of Kentucky. Specifically, the Commission has included and relies upon Appendices A, B and C in the recent June 1, 2004 Order. Citipower does not object to the use of these Appendices.

2. The record further indicates a willingness of Citipower to conform to the requests of the Commission, including the inclusion of an application seeking approval of indebtedness (Appendix C).

3. The record also supports the fact that since the Commission's report in January 2003, Citipower has not issued securities with regard to any regulated purposes (Appendix C).

4. The record does not indicate any willful actions or intentionally misleading information from the activities of Citipower. Rather the record accurately represents a small entity trying to “turn the corner” on a substantial investment. In further support of this argument Citipower relies upon the following:

A. Citipower took over a farm-tap program and volunteered to be under the purview of the Commission in order to obtain guidance and assistance.

B. The ordinary course of business of both Citipower and the Commission are relative to their own operations that have resulted in some degree of misunderstanding. This problem can be corrected.

C. The citizens of McCreary County have greatly benefited from the services of Citipower through the option of a cheap, efficient and alternative energy source. The recent opening of a federal prison in McCreary County buttresses this point and provides further stability to the investment risk undertaken by Citipower.

D. While certain procedures and protocols of the operations of Citipower can be improved, the citizens of Kentucky have yet to experience any prejudice or harm from Citipower’s actions. In fact the exact opposite can be maintained through supported evidence.

E. The commercial realities of the situation dictate continued dialogue and assistance regarding the Citipower operations and the Commission’s policies.


5. Citipower hereby requests the Commission’s assistance and approval for debt restructuring and a plan of equity investment for year-end 2004 and fiscal year 2005.

6. All of the actions of Citipower to date support KRS § 278.507 through the promotion of greater utilization of natural gas produced within Kentucky, without

detriment to the customers of Citipower, thus aiding the true purpose of the Commission. Penalizing Citipower under the current circumstances would run contrary to this fact.

BASED UPON THE FOREGOING, Citipower respectfully requests that the Commission find sufficient cause to deny the penalty provisions of KRS § 278.990(1).

Respectfully submitted by:


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CERTIFICATE OF SERVICE:

I hereby certify that the foregoing Response was served by mailing a true copy thereof, first class, postage prepaid, and by facsimile transmission this 13 day of July, 2004 to the following:

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