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FACSIMILE LETTER

Case No. 2006-00556

TO: Beth O'Donnell
AT: Public Service Commission
FACSIMILE #: (502) 564-3460
FROM: Jessica L. Newman *JLN*
DATE: January 11, 2007
TIME: 10:00 a.m.
RE: Revised Alternative Rate Filing Application

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Total Number of Pages (including cover letter): 9

MESSAGE: Attached is a letter regarding the amended alternative rate filing application and the replacement pages. This has also been send via mail. Please contact me with any questions. Thanks.

REFERENCE #:

The information contained in this facsimile is **confidential** and may also be attorney-privileged. The information is intended only for the use of the individual or entity to whom it is addressed. If you have received this facsimile in error, please immediately notify us by a collect telephone call to (606) 528-3073 and return the original message to us at the address above by United States mail. Thank you.

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ROBERT L. BROWN III
JESSICA L. NEWMAN

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January 11, 2006

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JAN 11 2007

PUBLIC SERVICE
COMMISSION

Beth A. O'Donnell
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40602

**RE: CITIPOWER, LLC APPLICATION FOR RATE ADJUSTMENT
CASE NUMBER 2006-00556**

Dear Ms. O'Donnell:

Citipower, LLC, received a letter, dated December 27, 2006, which stated that the Alternative Rate Filing Application was deficient. The original application did not contain a proposed rate. Citipower, LLC, has now calculated a proposed rate and has amended its application to reflect the proposed rate. Citipower, LLC, has also updated its "Adjusted Amount" of revenue to reflect year-end figures, which are more accurate than the previously submitted figures. Enclosed are ten (10) copies of the amended pages of the application and an additional exhibit supporting the new revenue figures.

If you have any questions, please contact me.

Sincerely,



Jessica L. Newman

Enclosures

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II. Increased Cost Information

(1) The most recent Annual Report will be used as the basic test period data in order to determine the reasonableness of the proposed rates. The Annual Report used as the basis for the 12 months ending December 31, 2005.

a. If you have reason to believe some of the items of revenue and expense listed in the Annual Report will increase or decrease, please list each item, the expected increase or decrease and the adjusted amount.

| <u>Item Per</u> <u>Annual Report</u> | <u>Amount Per</u> <u>Annual Report</u> | <u>Increase</u> <u>(Decrease)</u> | <u>Adjusted</u> <u>Amount</u> |
|---|---|--------------------------------------|----------------------------------|
| <u>Revenues:</u> | \$ | \$ | \$ |
| Residential Sales | 205,420.00 | | |
| Commercial and Industrial Sales | 1,218,172.00 | | |
| Transportation of Gas | 47,542.00 | | |
| Miscellaneous Service | 13,268.00 | | |
| Total Revenues | \$ 1,484,402.00 | \$(4,471.00) | \$ 1,479,931.00 |

Expenses:

| | | | |
|----------------------------|---------------------------|--------------------------|--------------|
| Operation and Maintenance | 1,297,374.00 ¹ | 198,808.00 | 1,496,282.00 |
| Depreciation | 82,393.00 | | 82,393.00 |
| Amortization and Depletion | 13,188.00 | | 13,188.00 |
| Taxes other than income | 37,806.00 | | 37,806.00 |
| Other Deductions | 69,672.00 | (55,297.00) ² | 14,375.00 |

Total Expenses \$1,500,433.00 \$ 143,611.00³ \$ 1,644,044.00

Revenues Less
Expenses \$ (16,031.00) \$ _____ \$ (164,113.00)

¹ An itemized listing of the operation and maintenance expenses is attached hereto as Exhibit "A"

² A detailed list of interest payments and invoices for interest paid in 2005 are attached hereto collectively as Exhibit "B"

³ A detailed calculation of the total net increase in expenses is attached hereto as Exhibit "C"

- b. Please describe each item that you adjusted on page 2 and how you know it will change. (Please attach invoices, letters, contracts or receipts which will help in proving the change in cost).

Decrease in Revenues- Attached hereto as Exhibit "D" is Citipower, LLC's revenue report through August 2006. Also attached as Exhibit "D1" is Citipower, LLC's expense and revenue report through December 2006

Increase in Operation and Maintenance Expenses- Due to increased natural gas wholesale prices in 2006, Citipower, LLC, expenses for purchasing natural gas supplies will be higher than in 2005. See Exhibit "E," 2005 Natural Gas Field Purchases, and Exhibit "F," 2006 Natural Gas Field Purchases

Increase in Operation and Maintenance Expenses- Citipower, LLC's accounting costs and interest fees increased in 2006. Citipower, LLC's 2005 accounting costs were \$28,397.00. See Exhibit "G." Accounting costs have been \$28,446.85 in 2006. See Exhibit "H."

- c. Please list your present and proposed rates for each class (i.e., residential, commercial, etc.) of customer and the percentage of increase proposed for each class:

| <u>Customer Class</u> | <u>Present Rates</u> | <u>Proposed Rates</u> | <u>Percent Increase</u> |
|-----------------------|----------------------|-----------------------|-------------------------|
| 1. Residential | \$16.1105/mcf | \$17.5494/mcf | 9% |
| 2 Commercial | \$16.1105/mcf | \$17.5494/mcf | 9% |
| 3. Industrial | \$15.1105/mcf | \$16.5494/mcf | 9.5% |
| 4. Institutional | \$15.1105/mcf | \$16.5494/mcf | 9.5% |

III. Other Information

a. Please complete the following questions:

1) Please describe any events or occurrences, which may have an effect on this rate review that should be brought to the Commission's attention (e.g., excessive line losses, major repairs, planned construction).

None

2) Total number of Customers as of the date of filing: 401 as of 10/31/06

3) Total amount of increased revenue requested: \$184,781.99

4) Please circle Yes or No:

a) Does the utility have any outstanding indebtedness? Yes No

If yes, attach a copy of any documents such as promissory notes, bond resolutions, mortgage agreements, etc.

The Promissory Note is attached hereto as Exhibit "I."

b) Were all revenues and expenses listed in the Annual Report for 2005 incurred and collected from January 1 to December 31 of that year? Yes No

If no, list total revenues and total expenses incurred prior to or subsequent to this period and attach

CUSTOMER NOTICE

Citipower, LLC has proposed to the Public Service Commission new rates for natural gas. The rates are currently \$16.1105/MCF for Residential and Commercial customers and \$15.1105/MCF for Industrial and Public customers, and, upon approval by the Commission, will be \$17.5494 for Residential and Commercial customers and \$16.5494 for Industrial and Public customers.

The rates contained in this notice are the rates proposed by Citipower, LLC. However, the Public Service Commission may order rates to be charged that are higher or lower than the rates proposed in this notice. Any corporation, association, body politic or person may request leave to intervene by motion within thirty (30) days after notice of the proposed rate changes is given. A motion to intervene shall be in written, shall be submitted to the Executive Director, Public Service Commission, 211 Sower Boulevard, P.O. Box 615, Frankfort, Kentucky 40602, and shall set forth the grounds for the motion, including the status and interest of the party movant. Copies of the application may be obtained at no charge from Citipower, LLC at 2122 Enterprise Road, Greensboro, North Carolina 27408. Upon request from an intervenor, the applicant shall furnish to the intervenor a copy of the application and supporting documents.

BILLING ANALYSIS

Revenue Earned Under 2005 Usage and Current Rates

| | Rate per MCF | MCFs Sold | Total Gas Revenue |
|----------------------------------|--------------|---------------|-----------------------|
| Residential and Commercial Sales | \$16.1105 | 14,892 | \$239,917.56 |
| Industrial and Public Sales | \$15.1105 | 71,099 | \$1,074,341.40 |
| Total Sales | | 85,991 | \$1,314,258.96 |

Revenue Earned Under 2006 Usage and Proposed Rates

| | Rate per MCF | MCFs Sold | Total Gas Revenue |
|----------------------------------|--------------|----------------|-----------------------|
| Residential and Commercial Sales | \$17.5494 | 15,729 | \$276,034.51 |
| Industrial and Public Sales | \$16.5494 | 84,696 | \$1,401,667.90 |
| Total Sales | | 100,425 | \$1,677,702.41 |

Gas Supply Expense

| Date | Memo | Cost | MCF | MCF By Type Cust | | | Gross Revenue |
|-----------------|----------------------------------|------------|--------|------------------|-----------|--------------|---------------|
| | | | | Pub/Ind | Res/Com | | |
| 01/31/2005 | | 91,356 | 12,044 | 9304 | 2740 | 186,692 | |
| 02/28/2005 | | 94,845 | 11,744 | 9163 | 2582 | 181,633 | |
| 03/31/2005 | | 119,607 | 13,024 | 10170 | 2854 | 185,376 | |
| 04/29/2005 | Gas purchased - April 2005 | 43,376 | 5,498 | 4564 | 934 | 78,198 | |
| 05/31/2005 | May 2005 Gas Purchase | 41,015 | 5,358 | 4591 | 767 | 76,143 | |
| 07/01/2005 | | 33,353 | 3,981 | 3526 | 455 | 58,600 | |
| 07/31/2005 | Gas purchase - July 05 | 27,231 | 2,878 | 2566 | 312 | 43,515 | |
| 09/30/2005 | Sept 05 gas purch Citipower | 69,723 | 4,174 | 3849 | 325 | 61,334 | |
| 10/31/2005 | Gas purch Oct 05 - Citipower | 63,477 | 4,333 | 3770 | 563 | 63,153 | |
| 11/09/2005 | August gas purchase | 43,600 | 3,167 | 2791 | 376 | 46,975 | |
| 11/30/2005 | November 05 gas purchase | 108,220 | 7,165 | 6543 | 622 | 120,566 | |
| | Total 2005 | 735,803 | 73,366 | | | | |
| | Revenue Reported 12/2005 | | | 10262 | 2,362 | 321,408 | |
| | Expense recognized 1/2006 | | | 71,099 | 14,892 | 1,423,592 | |
| | | | | | | | |
| | Non Gas Cost (Base Rate) | | | 5,4592 | 6,4592 | 484,332.53 | |
| | Non Gas Revenue | | | 388,141.48 | 96,191.05 | 939,259.47 | |
| | Gas Cost Recovery | | | | | 1,423,592.00 | |
| | | | | | | | |
| YTD 2006 | | | | | | | |
| 01/31/2006 | Jan 2006 gas purchase CP | 126,484.93 | 11,314 | 9,227 | 2,087 | | |
| 02/21/2006 | Dec 2005 gas purchase | 170,026.42 | 12,623 | 10,262 | 2,361 | | |
| 03/31/2006 | FEB 06 GAS PURCHASE | 111,248.15 | 13803 | 11,193 | 2,610 | | |
| 03/31/2006 | March 06 gas purch Citipower | 82,943.99 | 9589 | 7,910 | 1,679 | | |
| 04/30/2006 | April 2006 gas purchase | 44,317.04 | 5634 | 4,968 | 666 | | |
| 05/31/2006 | May 2006 gas purchase | 44,765.12 | 5843 | 5,280 | 563 | | |
| 06/30/2006 | Citipower gas purchase June 2006 | 32,350.71 | 4417 | 3,974 | 443 | | |
| 07/19/2006 | Gas purchases - Dec 05-Mar 06 | 2,549.14 | | | | | |
| 07/31/2006 | July 2006 gas purchase | 31,911.56 | 3239 | 2,882 | 357 | | |
| 08/31/2006 | August 2006 gas purchase - CP | 24,416.74 | 3364 | 2,995 | 369 | | |
| 09/30/2006 | Citipower gas purchase Sept 2006 | 25,457.93 | 3775 | 3,386 | 389 | | |
| 10/06/2006 | PLUG & BARREL LOCK | 158.36 | | | | | |
| 10/30/2006 | Oct | 56,781.65 | 6280 | 5,353 | 927 | | |

| | | | | |
|--------------------------------|-------------------|----------------|---------------|-------------------------|
| 11/30/2006 Nov | 109,618.93 | 10272 | 8,633 | 1,639 |
| 12/31/2006 Dec (est) | 109,618.93 | 10272 | 8,633 | 1,639 |
| | <u>972,649.60</u> | <u>100,425</u> | <u>84,696</u> | <u>15,729</u> |
| | | | | <u><u>1,479,931</u></u> |
| | | | | |
| Non Gas Cost (Base Rate) | | | <u>5,4592</u> | <u>6,4592</u> |
| | | | | |
| Non Gas Revenue | | | | 563,969 |
| Gas Cost Recovery | | | 462,372 | 101,597 |
| YTD Revenues Jan-Nov (Dec Est) | | | | <u>915,962</u> |
| | | | | <u><u>1,479,931</u></u> |