

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED GAS ADJUSTMENT) CASE NO. 2010-00097
FILING OF CITIPOWER, LLC)

O R D E R

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 Gas Cost Adjustment ("GCA") clause.

On March 1, 2010, Citipower filed its GCA to be effective April 1, 2010.

After reviewing the record in this case and previous Citipower GCA cases and being otherwise sufficiently advised, the Commission finds that:

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

2. Citipower proposed an Expected Gas Cost ("EGC") of \$7.9211 per Mcf. Its 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 the actual cost of purchases in December 2009 and January and February 2010. The

¹ Case No. 2008-00392, Application of Citipower, LLC for Rate Adjustment for Small Utilities Pursuant to 807 KAR 5:076 (Ky. PSC April 3, 2009).

EGC is otherwise based on Citipower's expected cost of gas from its primary supplier, Citigas, LLC ("Citigas") (an affiliate pursuant to 278.010(18)), using the New York Mercantile Exchange ("NYMEX") Natural Gas 12-Month strip rate for July 2009.

3. In previous GCA filings, the gas costs proposed by Citipower and approved by the Commission were also based on 12 month NYMEX strip rates. In Citipower's last GCA case, Case No. 2009-00472,² the Commission approved Citipower's proposed rate based on the NYMEX July 2009 rate, as passed on to it by Citigas, because it was consistent with the then-current 12-month NYMEX strip rate for December 2009. The Commission's Order in that case stated that, in future filings, Citipower should confirm that its supplier price is based on the 12-month NYMEX strip rate using the most recent data available, as opposed to historic data, or provide the basis for its calculation if some other method was used.

4. Citipower's continued use of the July 2009 12-month strip rate is unreasonable and contrary to the Commission's previous Order. Commission Staff recalculated the EGC pricing for volumes purchased from Citigas using the 12-month NYMEX strip rate for April 2010 as reported on March 4, 2010, on the RBC Richardson Barr website. This produces a Citigas price of \$6.19 per Mcf as opposed to the \$6.47 price proposed by Citipower. Using this price in combination with the cost of expected purchases from Citizens Gas produces an EGC of \$7.4286 per Mcf, an increase of \$.9586 per Mcf from the prior approved EGC of \$6.4700 per Mcf. Staff's calculations are provided in Appendix B attached to this Order.

² Case No. 2009-00472, Purchased Gas Adjustment Filing of Citipower, LLC (Ky. PSC Dec. 28, 2009).

5. Citipower's notice sets out no refund adjustment.

6. Citipower's notice sets out a current quarter Actual Adjustment ("AA") of \$.1666 per Mcf. In calculating its current quarter AA, Citipower incorrectly used the GCA of \$6.7695 approved in Case No. 2009-00348,³ instead of the EGC of \$6.45 approved in that case for October, November, and December 2009, for its "EGC in Effect for Month." Citipower also proposed a "Unit Cost of Gas" of \$6.7693 for October 2009 and \$7.3266 for November 2009, months in which no higher-priced volumes were purchased from Citizens Gas. As previously stated, the approved EGC for these months was \$6.45 per Mcf, which the Commission approved based on Citigas's statement to Citipower that the gas cost for October through December 2009 would be \$6.45. Based on the foregoing, Citipower's "Unit Cost of Gas" for October and November 2009 should be \$6.45. The "Unit Cost of Gas" for December 2009 should be \$7.2078, based on reported December purchases of 1,522 Mcf from Citizens Gas at a cost of \$20,549 and the remaining December 2009 purchases of 12,640 Mcf priced at the approved Citigas price of \$6.45. Therefore, Citipower's approved current quarter AA is \$.1258 per Mcf. The resulting total AA is \$.3963 per Mcf, which is an increase of \$.1401 per Mcf from the previous total AA of \$.2562 per Mcf. Staff's calculations are provided in Appendix B.

7. Citipower's notice sets out no current quarter Balance Adjustment ("BA"). Citipower's total BA is \$.0874 per Mcf, which is a decrease of \$.0106 per Mcf from its prior total BA of \$.0980 per Mcf.

³ Case No. 2009-00348, Purchased Gas Adjustment Filing of Citipower, LLC (Ky. PSC Sept. 25, 2009).

8. These combined adjustments produce a GCA of \$7.9123 per Mcf, which is an increase of \$1.0881 per Mcf from the previous rate of \$6.8242 per Mcf.

9. The revised rates in Appendix A to this Order are fair, just and reasonable, and should be approved for billing for service rendered on and after April 1, 2010.

IT IS THEREFORE ORDERED that:

1. The rates proposed by Citipower are hereby denied.

2. The rates in Appendix A to this Order are fair, just, and reasonable, and are approved for billing for service rendered on and after April 1, 2010.

3. Within 20 days of the date of this Order, Citipower shall file its revised tariffs with the Commission, setting out the rates authorized herein and reflecting that they were approved pursuant to this Order.

4. In all future GCA filings, Citipower shall use the most current 12 Month NYMEX price available to price volumes expected to be purchased from its affiliate Citigas, or provide the basis for its calculation if some other method using current market price data is used.

5. In all future GCA filings, Citipower shall use the Commission-approved EGC rate for Citigas in calculating the corresponding monthly "Total Cost of Volumes Purchased" in the AA. To the extent that Citipower must purchase volumes from Citizens Gas due to special and extraordinary circumstances, those volumes shall be included at their actual cost for the months the purchases occur and must be supported with invoices.

By the Commission

ENTERED
MAR 25 2010 *M*
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



Executive Director

Case No. 2010-00097

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2010-00097 DATED MAR 25 2010

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	\$ 7.9123	\$15.5615

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	\$ 7.9123	\$14.5615

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.

APPENDIX B
 APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
 COMMISSION IN CASE NO. 2010-00097 DATED
 MAR 25 2010



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NYMEX NATURAL GAS 12-MO STRIP APRIL (NYMEX_NT: \$NGST)
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Last Trade		Change		Trades Today		Day's Volume	
3:30 p.m. - 5.16		UNCH (0.0%)		49,078		187,754	
Beta		Day's Range		Prev Close		Open	
NA		5.14 - 5.34		5.16		5.17	
52 Wk Range		Div/Share		Ex-Div		Yield	
5.14 - 469.02		0.00		NA		0.01%	
EPS	PE	Shares Out		Market Cap			
NA	NA	NA		0			

• 1 Year Stock Performance:

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1 Quarter | 1 Year | 5 Years | Compare multiple stocks: \$NGST

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SCHEDULE I

GAS COST RECOVERY RATE SUMMARY

<u>Component</u>	<u>Unit</u>	<u>Amount</u>
Expected Gas Cost (EGC)	\$/Mcf	\$7.4286
Refund Adjustment (RA)	\$/Mcf	\$0.0000
Actual Adjustment (AA)	\$/Mcf	\$0.3963
Balance Adjustment (BA)	\$/Mcf	\$0.0874
Gas Cost Recovery Rate (GCR)	\$/Mcf	\$7.9123

To be effective for service rendered from April 1 to June 30 2010

A. EXPECTED GAS COST CALCULATION	<u>Unit</u>	<u>Amount</u>
Total Expected Gas Cost (Sch II)	\$/Mcf	\$633,727.19
/Sales for the 12 months ended December 31, 2009	\$/Mcf	85,309.00
Expected Gas Cost	\$/Mcf	\$7.4286

B. REFUND ADJUSTMENT CALCULATION	<u>Unit</u>	<u>Amount</u>
Supplier Refund Adjustment for Reporting Period (Sch III)	\$/Mcf	\$0.0000
+Previous Quarter Supplier Refund Adjustment	\$/Mcf	
+Second Previous Quarter Supplier Refund Adjustment	\$/Mcf	
+Third Previous Quarter Supplier Refund Adjustment	\$/Mcf	
=Refund Adjustment (RA)	\$ Mcf	\$0.0000

C. ACTUAL ADJUSTMENT CALCULATION	<u>Unit</u>	<u>Amount</u>
Actual Adjustment for the Reporting Period (Sch IV)	\$/Mcf	\$0.1258
+Previous Month Reported Actual Adjustment	\$/Mcf	\$0.0015
+Second Previous Quarter Reported Actual Adjustment	\$/Mcf	\$0.7136
+Third Previous Quarter Reported Actual Adjustment	\$/Mcf	(\$0.4446)
=Actual Adjustment (AA)	\$ Mcf	\$0.3963

D. BALANCE ADJUSTMENT CALCULATION	<u>Unit</u>	<u>Amount</u>
Balance Adjustment for the Reporting Period (Sch V)	\$/Mcf	\$0.0000
+Previous Quarter Reported Balance Adjustment	\$/Mcf	\$0.0028
+Second Previous Quarter Reported Balance Adjustment	\$/Mcf	\$0.0846
+Third Previous Quarter Reported Balance Adjustment	\$/Mcf	\$0.0000
=Balance Adjustment (BA)	\$ Mcf	\$0.0874

SCHEDULE II
 EXPECTED GAS COST

Actual Mcf Purchases for 12 months ended December 31, 2009

(1) Supplier	(2) Dth	(3) Btu Conversion Factor	(4) Mcf	(5) Rate	(6) (4) x (5) Cost
Citigas LLC			72,501	\$6.19	\$448,781.19
Citizens Gas Utility District			12,808		\$184,946.00
Totals			85,309		\$633,727

Line loss for 12 months ended 12/31/2009 is based on purchases of 85,309
 and sales of 85,309 Mcf. 0.00%

	<u>Unit</u>	<u>Amount</u>
Total Expected Cost of Purchases (6)		\$633,727.19
/ Mcf Purchases (4)		85,309
= Average Expected Cost Per Mcf Purchased		\$7.4286
x Allowable Mcf Purchases (must not exceed Mcf sales / .95)		\$85,309
= Total Expected Gas Cost (to Schedule IA)		\$633,727

Calculation of Citigas rate:

Richardson Barr April 10 NYMEX 12 Month Strip	\$5.16
Plus 20% BTU factor	\$1.03
Total	\$6.19

SCHEDULE IV

ACTUAL ADJUSTMENT

For the 12-month period ended December 31, 2009

<u>Particulars</u>	<u>Unit</u>	October 09 Month 1	November 09 Month 2	December 09 Month 3**
Total Supply Volumes Purchased	Mcf			14,162
Total Cost of Volumes Purchased	\$			\$102,077.00
/ Total Sales *	Mcf			14,162.0
= Unit Cost of Gas	\$/Mcf	\$6.4500	\$6.4500	\$7.2078
- EGC in Effect for Month	\$/Mcf	\$6.4500	\$6.4500	\$6.4500
= Difference	\$/Mcf	\$0.0000	\$0.0000	\$0.7578
x Actual Sales during Month	Mcf	6,685	7,118	14,162
= Monthly Cost Difference	\$	\$0.00	\$0.00	\$10,731.96
Total Cost Difference			\$	\$10,732
/ Sales for 12 months ended			Mcf	85,309.0
= Actual Adjustment for the Reporting Period (to Sch IC)				\$0.1258

* May not be less than 95% of supply volume

**Calculation of December Total Cost of Volumes Purchased:

Total December Mcf Purchases:	14,162
Citizens Gas invoiced Mcf purchases:	1,522
Mcf purchases attributed to Citigas	12,640
12,640 Mcf @ \$6.45=	\$81,528.00
Citizens Gas purchases	\$20,549.00
	<u>\$102,077.00</u>

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