

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF CITIPOWER, LLC FOR AN)
ADJUSTMENT OF RATES PURSUANT TO THE) CASE NO.
ALTERNATIVE RATE FILING PROCEDURE FOR) 1999-00225
SMALL UTILITIES)

and

NOTICE OF GAS COST ADJUSTMENT FILING OF) CASE NO.
CITIPOWER, LLC) 2002-00390

ORDER

On March 31, 2000, the Commission issued its Order in Case No. 1999-00225 approving a rate adjustment for Citipower, LLC (Citipower). The rate schedule attached as Appendix A to that Order provided that the first .7 Mcf for residential and commercial customers and the first .8 Mcf for industrial and institutional customers be charged at a rate of \$5.00 and the remaining Mcfs be charged at a volumetric rate. However, during a financial examination of Citipower's records for the year ended December 31, 2001, Commission Staff determined that Citipower had interpreted that Order to mean that it should charge a flat rate per Mcf subject to a \$5.00 minimum charge and that, since March 31, 2000, it has billed its customers accordingly. In order to evaluate the reasonableness of Citipower's billing method, the Commission, on its own motion, hereby reopens Case No. 1999-00225.

The Commission's Order in that case provided for further rate adjustments in accordance with the provisions of Citipower's gas cost adjustment (GCA) clause. The Commission notes that on October 30, 2002 Citipower filed a GCA application

proposing an effective date of December 1, 2002. That application has been docketed as Case No. 2002-00390. The Commission believes that the issues in Case Nos. 1999-00225 and 2002-00390 are inter-related and can be more efficiently and expeditiously addressed through one consolidated proceeding.

Case No. 1999-00225

A review of the record in Case No. 1999-00225 indicates that the text included in the appendix to the final Order was based on Citipower's response to Item 11 of the Commission's August 3, 1999 data request, wherein it explained why its billing analysis included no minimum bill revenue. In that response, Citipower included a schedule that represented the usage levels, by customer class, that resulted in customers receiving minimum bills. The schedule identified 0.0 to 0.7 Mcf as the level for residential and commercial customers and 0.0 to 0.8 Mcf as the level for industrial and institutional customers. Based on this response, we understood Citipower to be requesting a rate design that included a minimum bill for the first 0.7 or 0.8 Mcf, depending on customer class. However, it appears that Citipower's intention was to have a rate design consisting of a single volumetric rate as evidenced by the text of its response to that same request, which states that, [t]he small amount of gas used by customers receiving a minimum bill is not charged for, rather, the \$5.00 recovers administrative costs incurred by Citipower in processing the monthly billing. Consistent with that language, Citipower has been charging all Mcf sales at a flat rate, subject to a \$5.00 minimum charge.

Review of the March 17, 2000 Staff Report issued in that case shows the revenue of \$215,750 produced by Citipower's proposed rates was calculated using Citipower's single rate method of billing rather than the two-step volumetric rate design

included in Appendix A of the Commission's March 31, 2000 Order. Taking this into consideration, the Commission finds that Citipower's method of billing and its calculation of customers' bills are reasonable and that the text of Citipower's rate tariffs should be modified to more clearly describe its billing method. The appropriate text changes are included in the Appendix to this Order.

Case No. 2002-00390

Citipower proposes revised rates to pass on its expected change in gas costs to its customers. Its expected gas cost (EGC) is \$3.0331 per Mcf, a decrease of 1.69 cents per Mcf from the prior EGC of \$3.05. Citipower set out an actual adjustment (AA) of 1.46 cents per Mcf to collect under-recovered gas costs from May, June and July 2002. The total AA is \$1.1282 per Mcf, which is an increase of 1.46 cents per Mcf from the previous total AA. This total AA includes a previous quarterly AA that will remain in effect for 36 months. These combined adjustments produce a gas cost adjustment of \$4.1613 per Mcf, 0.23 cent Mcf less than the prior rate of \$4.1636. Citipower did not propose a balance adjustment nor a refund adjustment.

After reviewing the records in both cases and being otherwise sufficiently advised, the Commission finds that the rates set forth in the Appendix to this Order are fair, just, and reasonable, in the public interest, and should be approved for service rendered on and after December 1, 2002.

IT IS THEREFORE ORDERED that:

1. The rates in the Appendix to this Order are fair, just, and reasonable, and are effective for service rendered on and after December 1, 2002.

2. Within 20 days of the date of this Order, Citipower shall file with this Commission its revised tariffs setting out the rates and tariff language changes authorized herein.

Done at Frankfort, Kentucky, this 21st day of November, 2002.

By the Commission

ATTEST:


Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CONSOLIDATED CASE NOS. 2002-00390 AND 1999-00225 DATED November 21, 2002

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 this Commission prior to the effective date of this Order.

Residential and Commercial

	<u>Base Rate</u>	Gas Cost Recovery <u>Rate</u>	<u>Total</u>
Volumetric Rate	\$6.4592	\$4.1613	\$10.6205

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>	Gas Cost Recovery <u>Rate</u>	<u>Total</u>
Volumetric Rate	\$5.4592	\$4.1613	\$9.6205

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.