

ROBERT L. BROWN III

ATTORNEY AT LAW

1005 SOUTH MAIN STREET
CORBIN, KENTUCKY 40701

(606) 528-3073

FAX (606) 528-3289

February 18, 2005

Public Service Commission
Ms. Beth O'Donnell
Executive Director
211 Sower Blvd.
P.O. Box 615
Frankfort, KY 40602

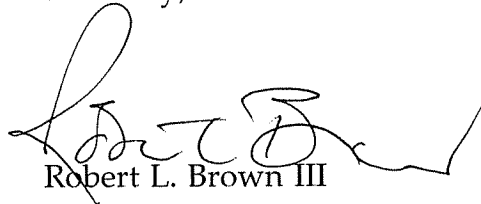
**RE: APPLICATION OF CITIPOWER, LLC FOR APPROVAL OF
REORGANIZATION PROPOSAL
CASE NUMBER 2004-00444**

Dear Ms. O'Donnell:

Enclosed please find an original and six copies of the Response to Commission Staff's First Data Request to Citipower, LLC. Please file the same at your earliest convenience.

Should you have any questions concerning this matter, please do not hesitate to contact me.

Sincerely,



Robert L. Brown III

RLB/ca

Enclosures

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

CITIPOWER, LLC

**APPLICATION OF CITIPOWER, LLC FOR
APPROVAL OF REORGANIZATION PROPOSAL**

CASE NO. 2004-00444

**RESPONSE TO COMMISSION STAFF'S FIRST DATA
REQUEST TO CITIPOWER, LLC**

Comes now Citipower, LLC, ("Citipower") by and through the undersigned counsel, and states the following response to the Commission Staff's First Data Request to Citipower, LLC, with regard to the above-referenced case number:

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1. The Agreement and Plan of Reorganization provides for the transfer of stock to effect the reorganization. In addition, the application refers to a transfer of non-regulated assets and extinguishment of debt. List all accounts transferring to or from Citipower's books as well as the current balances. For those accounts transferring from Citipower's books, indicate the subsidiary to which the account is being transferred.

RESPONSE: (A) LBU, LLC account will be transferred to Citi Energy, LLC. The bank account number is 0030-0128-4219 (Bank of America) and as of 12/31/04 the balance is \$89,207.55.

(B) Citigas, LLC will be transferred to Citi Energy, LLC. The bank is Bank of McCreary County, account number 041-178-290-8 (RBC Centura). The balance as of 12/31/04 is \$45,157.82.

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Robert L. Brown III
1005 South Main Street
Corbin, Kentucky 40701
Attorney for Citipower, LLC*

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2. Provide a current balance sheet for Citipower and a pro-forma balance sheet as it would appear immediately after the reorganization.

RESPONSE: Please see attached sheets.

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This is Citipower's balance sheet **before** reorganization 12/31/04:

ASSETS	
Current Assets	
Checking/Savings	
Total 131 · Cash	<u>529,058.37</u>
Total Checking/Savings	<u>529,058.37</u>
Accounts Receivable	0.00
Total 142 · Customer Accounts Receivable	227,881.02
144 · Allow for Uncollectible Accts.	<u>(23,200.00)</u>
Total Accounts Receivable	204,681.02
Other Current Assets	0.00
Total 134 · Other Special Deposits	300.00
143.5 · Transportation Fees Receivable	<u>12,209.65</u>
Total 143 · Other Accounts Receivable	<u>12,209.65</u>
Total Other Current Assets	<u>12,509.65</u>
Total Current Assets	746,249.04
Fixed Assets	
Total 101 · Gas Plant in Service (365-399)	<u>4,990,508.48</u>

108 · Accumulated Depreciation	<u>(1,996,050.91)</u>
Total Fixed Assets	2,994,457.57
Other Assets	
123 · Investment in Assoc. Companies	
123.1 · LBU, LLC investment	2,300,636.62
123.2 · Citigas, LLC investment	<u>1,559,427.55</u>
Total 123 · Investment in Assoc. Companies	<u>3,860,064.17</u>
Total Other Assets	<u>3,860,064.17</u>
TOTAL ASSETS	<u><u>7,600,770.78</u></u>
LIABILITIES & EQUITY	
Liabilities	
Total 232 · Accounts Payable	<u>139,335.19</u>
Total Accounts Payable	139,335.19
Other Current Liabilities	
Total 231 · Notes Payable	1,488,173.81
235 · Customer Deposits	
Total 235 · Customer Deposits	4,807.82
236 · Taxes Accrued	
Total 236 · Taxes Accrued	9,953.42
237 · Interest Accrued	5,558.00
242 · Misc. / Other Liabilities	0.00
242 · Misc. / Other Liabilities - Other	<u>227.50</u>
Total 242 · Misc. / Other Liabilities	<u>227.50</u>
Total Other Current Liabilities	<u>1,508,720.55</u>
Total Current Liabilities	<u>1,648,055.74</u>
Total Liabilities	1,648,055.74
Equity	
216 · Retained Earnings	(3,389,555.62)
Total 218 · Member's Capital Contributions	9,781,216.23
Total 219 · Member's Capital Distributions	(314,493.88)
Net Income	<u>(124,450.69)</u>
Total Equity	<u>5,952,716.04</u>

TOTAL LIABILITIES & EQUITY

7,600,771.78

This is a proforma balance sheet for Citipower **after** reorganization:

ASSETS

Current Assets

Checking/Savings

Total 131 · Cash

122,568.49

Total Checking/Savings

122,568.49

Accounts Receivable

0.00

Total 142 · Customer Accounts Receivable

227,881.02

144 · Allow for Uncollectible Accts.

(23,200.00)

Total Accounts Receivable

204,681.02

Other Current Assets

0.00

Total 134 · Other Special Deposits

300.00

143.5 · Transportation Fees Receivable

12,209.65

Total 143 · Other Accounts Receivable

12,209.65

Total Other Current Assets

12,509.65

Total Current Assets

339,759.16

Fixed Assets

Total 101 · Gas Plant in Service (365-399)

3,802,250.33

108 · Accumulated Depreciation

(1,558,929.09)

Total Fixed Assets

2,243,321.24

Other Assets

123 · Investment in Assoc. Companies

123.1 · LBU, LLC investment

0.00

123.2 · Citigas, LLC investment

0.00

Total 123 · Investment in Assoc. Companies

0.00

Total Other Assets

0.00

TOTAL ASSETS

2,583,080.40

LIABILITIES & EQUITY

Liabilities

Total 232 · Accounts Payable	<u>139,335.19</u>
Total Accounts Payable	139,335.19
Other Current Liabilities	
Total 231 · Notes Payable	250,000.00
235 · Customer Deposits	
Total 235 · Customer Deposits	4,807.82
236 · Taxes Accrued	
Total 236 · Taxes Accrued	9,953.42
237 · Interest Accrued	5,558.00
242 · Misc. / Other Liabilities	0.00
242 · Misc. / Other Liabilities - Other	<u>227.50</u>
Total 242 · Misc. / Other Liabilities	<u>227.50</u>
Total Other Current Liabilities	<u>270,546.74</u>
Total Current Liabilities	<u>409,881.93</u>
Total Liabilities	409,881.93
Equity	
216 · Retained Earnings	(1,237,448.66)
Total 218 · Member's Capital Contributions	3,570,896.68
Total 219 · Member's Capital Distributions	(114,814.47)
Net Income	<u>(45,434.08)</u>
Total Equity	<u>2,173,198.47</u>
TOTAL LIABILITIES & EQUITY	<u><u>2,583,080.40</u></u>



COMMONWEALTH OF KENTUCKY
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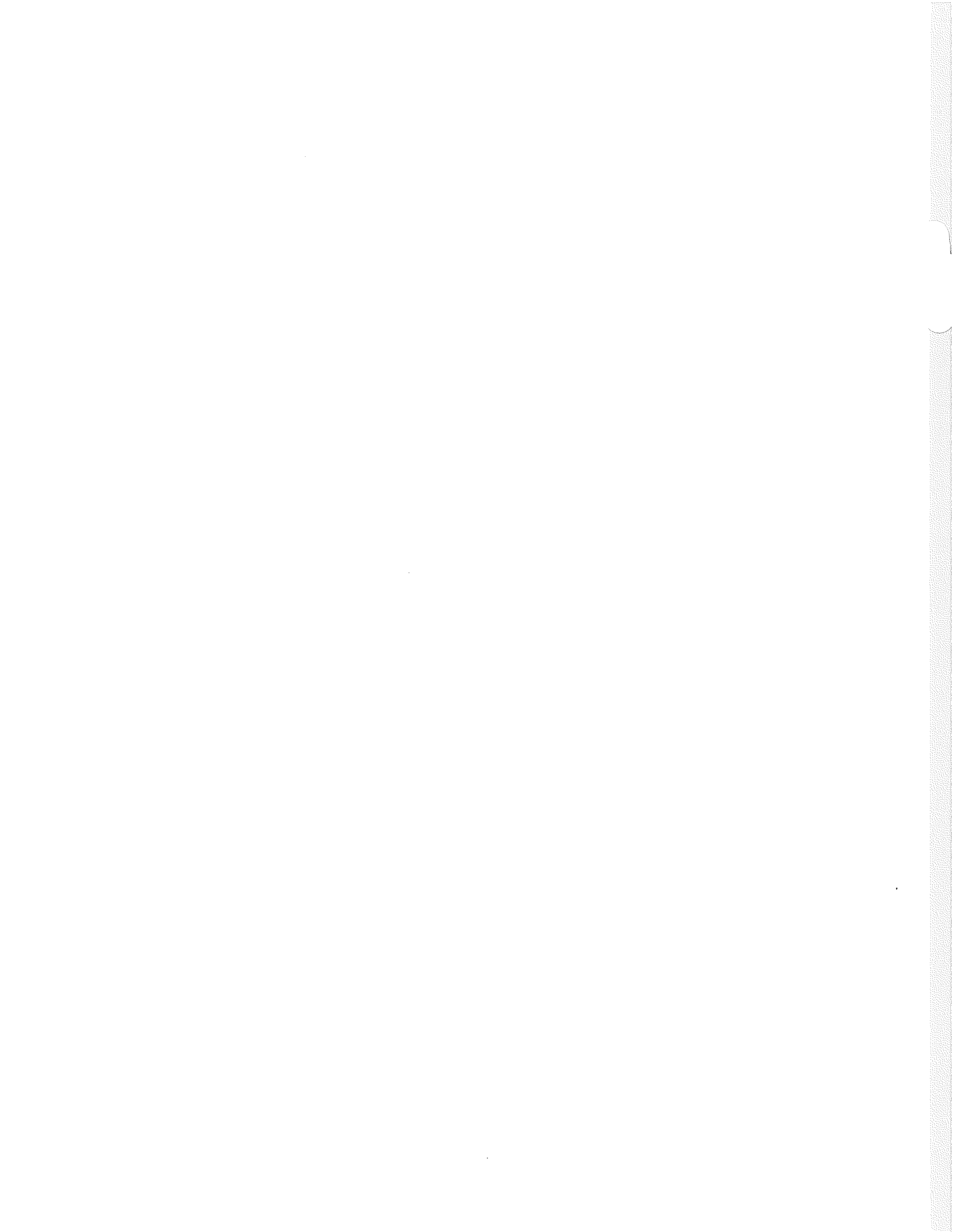
APPLICATION OF CITIPOWER, LLC FOR
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CASE NO. 2004-00444

3. Exhibit B of the application shows the current and proposed corporate structures. Under the current corporate structure, Citipower has debt as follows: \$993,000 to the Bank of McCreary; \$250,000 to RBC Centura; and \$245,000 to Oneida Gas; for total debt of \$1,488,000. Under the proposed corporate structure, Citipower owes \$250,000 and Citi Energy, LLC owes \$1,000,000, for total debt of \$1,250,000. Explain the difference in the total debt amounts.

RESPONSE: Citipower will keep \$250,000 on its books. The balance of other debt at the time of reorganization will go on Citi Energy, LLC's books.

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4. The application states that although Citipower will remain liable for \$250,000 owed to the Bank of McCreary County, Citipower is owed \$250,000 from Forexco, Inc. ("Forexco") and this debt will be paid by Forexco on or before December 31, 2004. Has Forexco paid \$250,000 either to Citipower or to the Bank of McCreary County in relief of this debt?

RESPONSE: In late December, 2004, Forexco repaid all debt owed to Citipower, LLC.

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5. Citipower has an office in Whitley City in McCreary County, Kentucky. Provide the names of all companies that currently share this office with Citipower and those that will share the office after the reorganization.

RESPONSE: Currently, Citipower, LLC does not share office space with any other company. The office in Whitley City is a duplex and the company may lease this half of the building to Forexco or an unaffiliated company at market rates.

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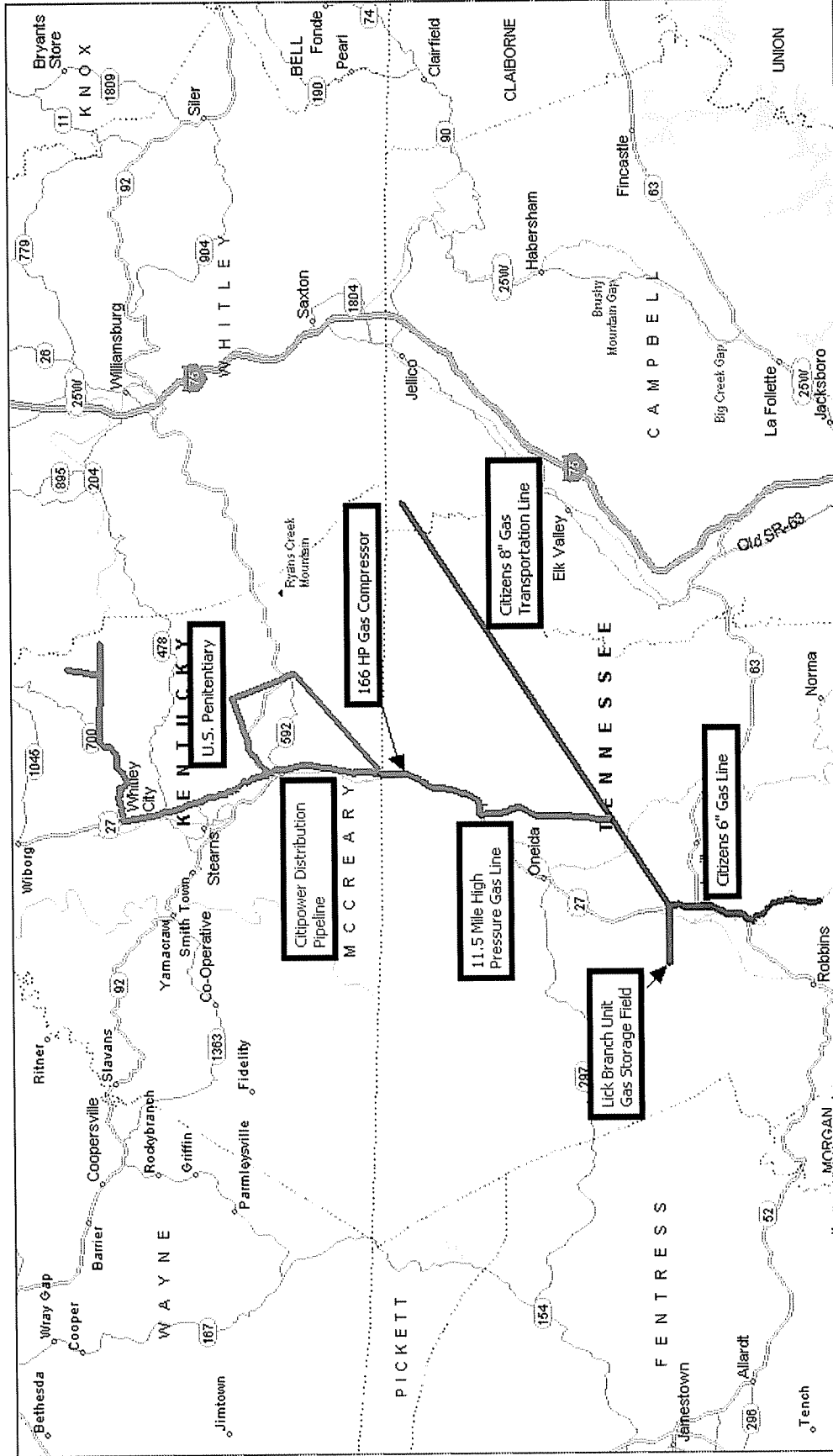
6. Provide a map of Citipower's system and, if possible, color-code the various assets and non-regulated interests being transferred.

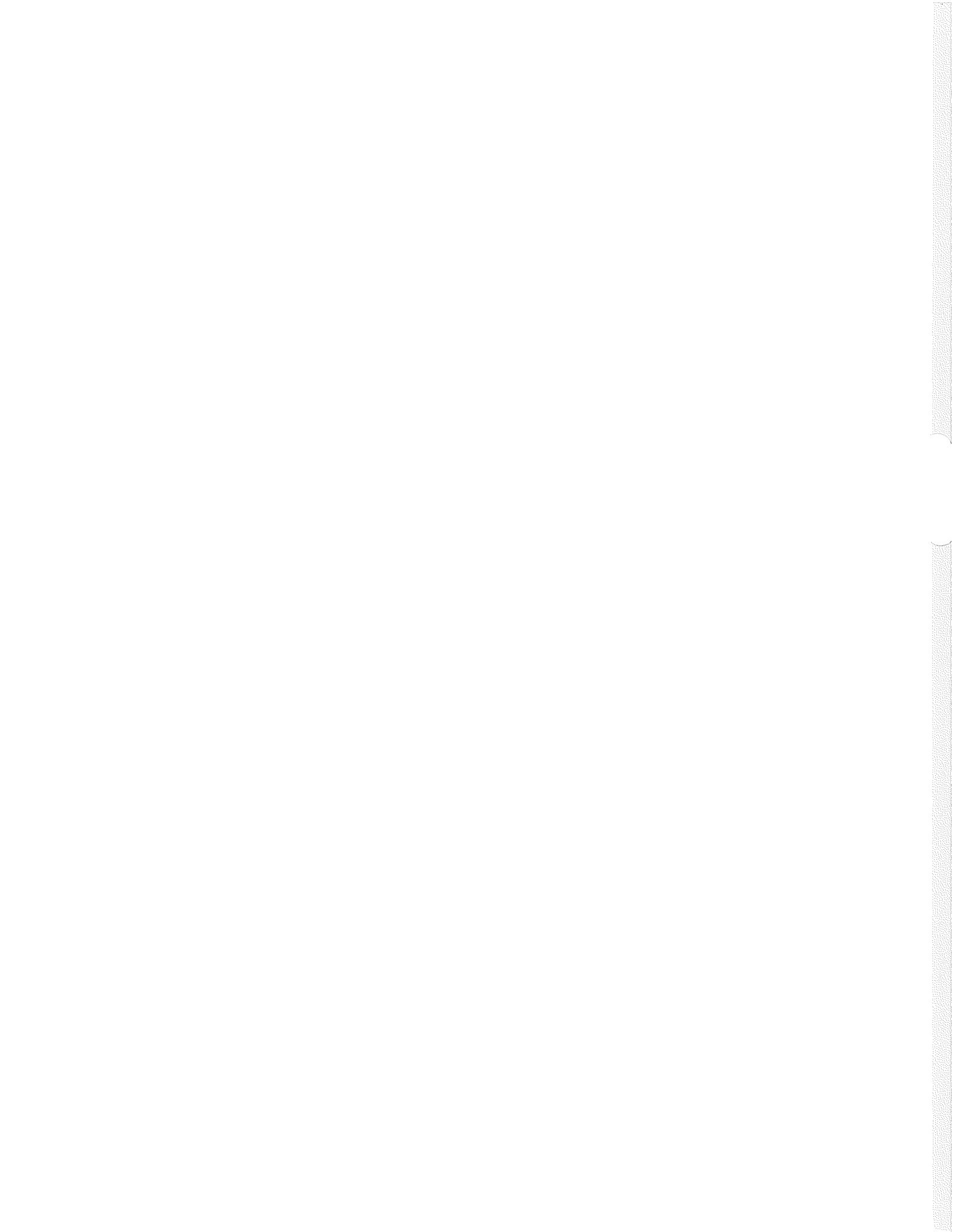
RESPONSE: The only Citipower assets to be transferred to Citi Energy, LLC will be its pipeline in Tennessee, the assets of LBU, LLC, Citi Energy, LLC and one pick-up truck. The attached map shows the pipeline grid of Citipowers system.

The highlighted pipeline from the Kentucky/Tennessee state line that runs due south to the Citizens Gas 8' Gas Transportation Line is the only pipeline in the current Citipower system that will be transferred to Citi Energy, LLC.

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Citipower Pipeline Map





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7. State the name and qualifications of the person or persons who presently conduct the day-to-day operations of the utility.

RESPONSE: Day-to-day operations personnel:

- A. Regina Marlow - Office Manager and Bookkeeper
- B. Cortney Vanover - All current DOT qualifications
- C. Duaine King - All current DOT qualifications
- D. Bill Webb - All current DOT qualifications

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8. State whether the person or persons who presently provide the day-to-day operations of the utility will change after the merger. If yes, state the reason for the change and provide the name and qualifications of the person or persons who will provide this service after the merger.

RESPONSE: Bill Webb will be moved to Citi Energy, LLC. The responsibility of gas supply will be transferred from Citipower to Citi Energy, LLC. Bill Webb will manage the 11.5 mile steel pipeline and compressor station in Tennessee. We do not intend to replace Bill Webb with another employee.

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9. Refer to page 3, paragraph D, of the Agreement and Plan of Reorganization. This section provides that the directors and officers of Citipower in office immediately prior to the merger will continue in office and constitute the directors and officers of Citi Energy for the remainder of their terms or until their respective successors are elected or appointed and qualified.

a. Provide the names and terms of office of each director and officer of Citipower.

RESPONSE: Citipower's Board of Directors are as follows:

- a) Daniel R. Forsberg, Chairman, Term indefinite
- b) Charles Holderness, Member, Term indefinite
- c) Peter Heberling, Member, Term indefinite

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9. Refer to page 3, paragraph D, of the Agreement and Plan of Reorganization. This section provides that the directors and officers of Citipower in office immediately prior to the merger will continue in office and constitute the directors and officers of Citi Energy for the remainder of their terms or until their respective successors are elected or appointed and qualified.

b. In light of this provision, state whether the management of Citipower will change as a result of this merger or soon thereafter.

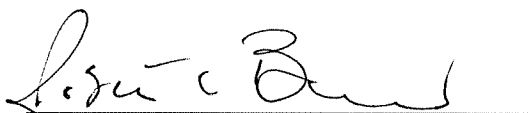
RESPONSE: After the reorganization, Citipower's Board of Directors will continue their role at Citi Energy, LLC.

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Telephone: (606) 528-3073
Attorney for Citipower, LLC

CERTIFICATE

I hereby certify that the above and foregoing was on the 18 day of February, 2005, served by mailing the original and six true and exact copies of same, all postage prepaid, addressed for delivery to:

Ms. Beth O'Donnell
Executive Director
COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
211 Sower Building
P. O. BOX 615
FRANKFORT, KENTUCKY 40602



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