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FACSIMILE LETTER

TO: Public Service Commission

FACSIMILE #: (502) 564-3460

FROM: Robert L. Brown III *RLB*

DATE: March 24, 2009

TIME: 4:20 pm

RE: CASE NO. 2009-00080

Total Number of Pages (including cover letter): 6

MESSAGE:

Please see the attached. Hard copies will follow in the mail.

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 .

RECEIVED

MAR 24 2009

PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

MAR 24 2009

PUBLIC SERVICE
COMMISSION

In the Matter of:

PURCHASED GAS ADJUSTMENT
FILING OF CITIPOWER, LLC

CASE NO. 2009-00080

RESPONSE TO INITIAL DATA REQUEST OF COMMISSION STAFF
TO CITIPOWER, LLC

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

Question 1
Page 1 of 1

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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1. Refer to Citipower's Quarterly Report of Gas Cost Recovery Rate Calculation, filed February 23, 2009. It appears that the price Citipower pays Citigas, LLC ("Citigas") for its gas supply is based on a New York Mercantile Exchange ("NYMEX") Natural Gas 12-month Strip rate. Provide the rationale for Citigas basing the price it charges Citipower on a NYMEX Natural Gas 12-month Strip rate.

RESPONSE: Citipower has entered into a 12-month contract based upon an average rate in an attempt to level out (annualize) the rates its customers pay for gas. As there are only a limited number of gas producers and gas pipelines near the utility, this method uses a 12-month period to average the annual gas costs, based upon a published rate. NYMEX rate has historically been used because it is readily available and from a recognized and published market. In addition, the 12-month contract based upon an average saves the utility administrative expenses by not being required to negotiate, track, or compute moving gas prices.

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

Question 2a
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COMMONWEALTH OF KENTUCKY
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2. An attached letter from Citigas dated February 20, 2008 states that Citipower's gas cost per Mcf will be \$11.38 for April 2009 through June 2009. As support for the amount of \$11.38 Citigas has attached the "NYMEX Natural Gas 12-Month Strip" for April 24, 2008.

a. Given that Citipower is proposing an effective date of April 1, 2009 for its gas cost adjustment filing, explain why the NYMEX Natural Gas 12-Month Strip for April 24, 2008, which appears to cover the 12 months ending March 2009, is being used for the expected cost of gas.

RESPONSE: The effective date of the existing twelve-month contract is May 1, 2008 ending April 30, 2009. As Citipower does not yet have an agreement in place for May-June 2009, it is seeking a price approval for the extension of the current contract until a new contract is in place. Due to projected gas demands, in light of local production, Citipower is in negotiations with a third party supplier of gas at an offered rate of \$5.00 per mmbtu plus the actual cost of natural gas delivered (based on the Tennessee/Louisiana 800 leg index). This would be \$9.0464 as of March 24, 2009 as quoted by the Intercontinental Exchange.

*Robert L. Brown III
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Question 2b
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b. In that same letter, a BTU factor of \$2.28 is added to the "Gas cost per Mcf" of \$11.38. Should the \$11.38 actually be labeled as the "Gas cost per Dh? If no, explain why a BTU factor is needed to arrive at a final price.

RESPONSE: The 12 month contract between Citigas and Citipower provides for MCF price plus a 1.2 BTU factor. This has been the historical calculation in order to provide the heating value in excess of 1000 Btu per Mcf of produced natural gas. As certain locals provide varieties of Btu's per Mcf, this calculation assures an adequate heating value for delivered gas. Citipower does not believe it is necessary to label the gas as a "cost per Dh".

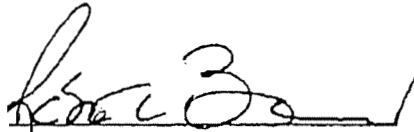
*Robert L. Brown III
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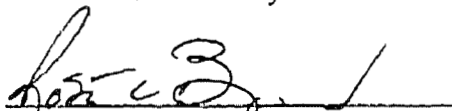
CERTIFICATE

I hereby certify that the above and foregoing was on the ^{21st} day of March 2009, served by faxing and mailing the original and ten (10) true and exact copies of same, all postage prepaid, addressed for delivery to:

Mr. Jeff Derouen
Executive Director
COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
211 Sower Building
P. O. BOX 615
Frankfort, Kentucky 40602

And by mailing a true and correct copy to:

Hon. Jack Conway
Attorney General
1024 Capital Center Drive
Suite 200
Frankfort, Kentucky 40601-8204


Robert L. Brown III