

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED GAS ADJUSTMENT) CASE NO. 2010-00221
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 for the further adjustment of such rates under certain conditions in accordance with the provisions of Citipower’s Gas Cost Adjustment (“GCA”) clause.

On June 3, 2010, Citipower filed its GCA to be effective July 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 \$7.0085 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 for December 2009 through March 2010. The EGC is

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

otherwise based on Citipower's expected cost of gas from its primary supplier, Citigas, LLC ("Citigas") (an affiliate pursuant to KRS 278.010(18)), using the New York Mercantile Exchange ("NYMEX") Natural Gas 12-Month strip rate for June 2010. Citipower's \$7.0085 EGC represents a decrease of \$.4201 per Mcf from the prior approved EGC of \$7.4286 per Mcf.

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

4. Citipower's notice sets out a current quarter Actual Adjustment ("AA") of \$.1039 per Mcf. In calculating its current quarter AA, Citipower incorrectly used the EGC of \$7.4286 approved in Case No. 2010-00097,² instead of the EGC of \$6.4700 per Mcf approved in Case No. 2009-00472³ for January, February, and March 2010, for its "EGC in Effect for Month." Citipower also failed to use correct monthly sales figures for January, February, and March 2010. Citipower's current quarter AA should be \$.8652 per Mcf. Citipower neglected to include its approved \$.1258 previous quarter AA in the calculation of its total AA. Citipower's total AA should be \$1.7061 per Mcf, which is an increase of \$1.3098 per Mcf from the previous total AA of \$.3963 per Mcf. Staff's calculations are provided in Appendix B.

5. Citipower's notice sets out a current quarter Balance Adjustment ("BA") in the amount of \$.0008 per Mcf. Citipower did not use the correct 12 months' sales volumes in its calculation. Citipower's current BA should be \$.0012 per Mcf. Citipower's

² Case No. 2010-00097, Purchased Gas Adjustment Filing of Citipower, LLC (Ky. PSC Mar. 25, 2010).

³ Case No. 2009-00472, Purchased Gas Adjustment Filing of Citipower, LLC (Ky. PSC Dec. 28, 2009).

total BA is \$.0886 per Mcf, which is an increase of \$.0012 per Mcf from its prior total BA of \$.0874 per Mcf. Staff's calculations are provided in Appendix B.

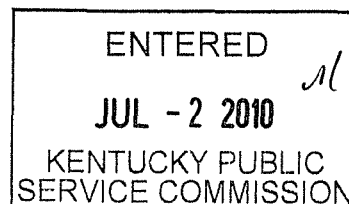
6. These combined adjustments produce a GCA of \$8.8032 per Mcf, which is an increase of \$.8909 per Mcf from the previous rate of \$7.9123 per Mcf.

7. 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 July 3, 2010. Citipower did not give the 30 days' notice required for rates to be effective July 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 July 3, 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.

By the Commission



ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2010-00221 DATED JUL - 2 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	\$ 8.8032	\$16.4524

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	\$ 8.8032	\$15.4524

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. 2010-00221 DATED JUL - 2 2010

SCHEDULE I

GAS COST RECOVERY RATE SUMMARY

<u>Component</u>	<u>Unit</u>	<u>Amount</u>
Expected Gas Cost (EGA)	\$/Mcf	\$7.0085
Refund Adjustment (RA)	\$/Mcf	\$0.0000
Actual Adjustment (AA)	\$/Mcf	\$1.7061
Balance Adjustment (BA)	\$/Mcf	\$0.0886
Gas Cost Recovery Rate (GCR)	\$/Mcf	\$8.8032

to be effective for service rendered from July 1, 2010 to September 30 2010.

<u>A. EXPECTED GAS COST CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
Total Expected Gas Cost (Sch II)	\$/Mcf	\$634,797
/Sales for the 12 months ended March 31, 2010	\$/Mcf	90,576
Expected Gas Cost	\$/Mcf	\$7.0085
<u>B. REFUND ADJUSTMENT CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
Supplier Refund Adjustment for Reporting Period (Sch III)	\$/Mcf	\$0.0000
+Previous Quarter Supplier Refund Adjustment	\$/Mcf	\$0.0000
+Second Previous Quarter Supplier Refund Adjustment	\$/Mcf	\$0.0000
+Third Previous Quarter Supplier Refund Adjustment	\$/Mcf	\$0.0000
=Refund Adjustment (RA)	\$ Mcf	\$0.0000
<u>C. ACTUAL ADJUSTMENT CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
Actual Adjustment for the Reporting Period (Sch IV)	\$/Mcf	\$0.8652
+Previous Quarter Reported Actual Adjustment	\$/Mcf	\$0.1258
+Second Previous Quarter Reported Actual Adjustment	\$/Mcf	\$0.0015
+Third Previous Quarter Reported Actual Adjustment	\$/Mcf	\$0.7136
=Actual Adjustment (AA)	\$ Mcf	\$1.7061
<u>D. BALANCE ADJUSTMENT CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
Balance Adjustment for the Reporting Period (Sch V)	\$/Mcf	\$0.0012
+Previous Quarter Reported Balance Adjustment	\$/Mcf	\$0.0000
+Second Previous Quarter Reported Balance Adjustment	\$/Mcf	\$0.0028
+Third Previous Quarter Reported Balance Adjustment	\$/Mcf	\$0.0846
=Balance Adjustment (BA)	\$ Mcf	\$0.0886

SCHEDULE IV

ACTUAL ADJUSTMENT

For the period ended March 31, 2010.

Particulars	Unit	Jan '10 Month 1	Feb '10 Month 2	Mar '10 Month 3
Total Supply Volumes Purchased	Mcf	15,601	14,411	11,635
Total Cost of Volumes Purchased	\$	\$144,504	\$127,535	\$75,782
/ Total Sales *	Mcf	15,601	14,411	11,635
= Unit Cost of Gas	\$/Mcf	\$9.2625	\$8.8499	\$6.5133
- EGC in Effect for Month	\$/Mcf	\$6.4700	\$6.4700	\$6.4700
= Difference	\$/Mcf	\$2.7925	\$2.3799	\$0.0433
x Actual Sales during Month	Mcf	15,601	14,411	11,635
= Monthly Cost Difference	\$	\$43,565	\$34,296	\$503

Total Cost Difference	\$	\$78,365
/ Sales for 12 months ended 3/31/10	Mcf	90,576
= Actual Adjustment for the Reporting Period (to Sch IC)		\$0.8652

* May not be less than 95% of supply volume

SCHEDULE V

BALANCE ADJUSTMENT

Case No. 2009-00080

Effective Date	12 months Mcf Sales	Factor	Refunded	Beginning Balance
April 1, 2009	90,576	(\$0.0143)	(1,295.24)	(1,187.14)

Under/(Over) Recovery	\$108
Mcf Sales for factor	90,576
BA Factor	\$0.0012

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