

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF CITIPOWER, LLC FOR (1))	
AN ADJUSTMENT OF RATES PURSUANT TO)	
807 KAR 5:076; (2) APPROVAL FOR A)	CASE NO.
CERTIFICATE OF PUBLIC CONVENIENCE)	2019-00109
AND NECESSITY TO PURCHASE PIPELINE)	
AND OTHER RELATED ASSETS; AND (3))	
APPROVAL OF FINANCING)	

COMMISSION STAFF'S FIRST REQUEST FOR
INFORMATION TO CITIPOWER, LLC

Citipower, LLC (Citipower), pursuant to 807 KAR 5:001, is to file with the Commission the original and ten copies in paper medium of the following information, with a copy to all parties of record. The information requested herein is due on or before July 22, 2019. Responses to requests for information in paper medium shall be appropriately bound, tabbed, and indexed.

Each response shall include the name of the witness responsible for responding to the questions related to the information provided. Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Citipower shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct

when made, is now incorrect in any material respect. For any request to which Citipower fails or refuses to furnish all or part of the requested information, it shall provide a written explanation of the specific grounds for its failure to respond completely and precisely.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations. When filing a paper containing personal information, Citipower shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Refer to Citipower's application at Paragraph Nos. 9 and 11 and the "Reason for Application" attachment filed with the application.

- a. Describe any changes in the amount of natural gas produced at Well 1, Well 2, Well 3, and Well 4, as used in the "Reason for Application" attachment, over the last ten years; and any expected changes in the amount of production at those wells over the next ten years;

- b. Identify changes in the production pressure for Well 1, Well 2, Well 3, and Well 4, as used in the "Reason for Application" attachment, over the last ten years, and explain in detail the significance of those changes in production pressure, including what the changes indicate for the amount of natural gas Citipower expects each well to produce over the next ten years; and

c. Identify any unused capacity in Forexco's other wells in the area that could be used to offset any decrease in production at Well 1, Well 2, Well 3, or Well 4.

2. Refer to the "Reason for Application" attachment filed with the Application where Citipower states that "Forexco's operation manager indicated that it is in Citipower's best interest to seek an alternative source of natural gas for its long-term needs."

a. Provide any correspondence or other documents received from Forexco or its representatives since January 1, 2018, discussing the expected future production of Forexco's wells that serve Citipower;

b. Provide any current contract or other agreement between Citipower and Forexco regarding Forexco's sale of natural gas to Citipower; and

c. Describe the relationship between Forexco and Citipower, including any shared ownership and management.

3. Identify the peak demand on Citipower's system for each month over the last five years, and state whether and explain why Citipower expects its peak demand for each month to increase, decrease, or remain stable over the next five years.

4. Refer to CitiPower's application at Paragraph No. 11, stating, "[h]aving a pipeline connected to Delta's system would give Citipower's customers a more reliable source of gas than its current gas wells that have decreased production." State whether Citipower contends that there are reliability issues other than the decreased production of Citipower's current gas wells that justify the Certificate of Public Convenience and Necessity (CPCN) requested herein, and if so, identify and describe those reliability issues.

5. Refer to Citipower's application at Paragraph No. 11, stating that gas it will obtain through the pipeline for which it is requesting a CPCN, identified as the Herbert White pipeline, "will most likely be less expensive than the price per Mcf if the backup source of gas has to be used to acquire natural gas when the gas wells are not producing enough to meet demand."

a. Identify each month from June 1, 2017, through the present in which Citipower was been required to purchase gas from a backup source because its current gas wells were not producing sufficient gas to meet demand;

b. Identify each source from which Citipower purchased backup gas, and provide the total amount of gas purchased from and the total amount paid to each source for each month from June 1, 2017, through the present in which Citipower was required to purchase gas from a backup source because its current gas wells were not producing sufficient gas to meet demand;

c. Provide the extent to which Citipower expects the instances in which it will be required to purchase backup gas to increase over the next ten years, and explain each basis for Citipower's expectation;

d. Provide every basis for Citipower's statement that gas obtained through the pipeline it seeks to purchase will most likely be less expensive than the price per Mcf if the "backup source of gas" has to be used to acquire natural gas when Citipower's current gas wells are not producing enough to meet demand; and

6. Provide all reports, correspondence, or other documents analyzing the relative costs of obtaining natural gas through the Herbert White pipeline versus obtaining natural gas from any other source.

7. Refer to the “Reason for Application” attachment filed with the application in which Citipower states that Citizens Gas Utility (Citizens) “has supplied gas to Citipower, on demand, [but] the cost associated with such an arrangement (total gas cost premium of \$8.06 per mcfg [*sic*]) makes it economically prohibitive for its base gas supply.”

a. Provide the actual cost of natural gas per Mcf for each month in which Citipower purchased gas from Citizens since June 1, 2017, and include a breakdown of the cost per Mcf to the extent the cost was broken down by Citizens;

b. State whether Citizens has identified a peak demand or total monthly supply that it is able to provide to Citipower and explain each basis provided by Citizens for those limitations;

c. State whether Citizens has identified any other specific limitations on its ability to supply natural gas to Citipower, and if so, identify those limitations and explain each basis provided by Citizens for those limitations;

d. State whether Citipower would be able to obtain gas at a lower cost from Citizens if it purchased a larger portion of its total supply from Citizens; and

e. Provide any contract or other agreement between Citipower and Citizens regarding Citizens’ sale of natural gas to Citipower.

8. Refer to the “Reason for Application” attachment filed with the application in which Citipower identifies two options for connecting its existing system with the system of Delta Natural Gas (Delta).

a. State whether Citipower reviewed options that involved obtaining natural gas from suppliers other than Delta, Citizens, or Forexco;

- b. If so, explain why Citipower chose not to pursue those options; and
- c. If not, explain why Citipower did not look at any other suppliers.

9. Refer to the “Reason for Application” attachment filed with the Application in which Citipower states that it expects to be able to obtain gas from Delta at market rates roughly equal to the price of gas from Forexco’s wells.

a. Identify the cost per Mcf at which Citipower expects to be able to purchase gas from Delta and explain each basis for Citipower’s expectation;

b. State whether that cost per Mcf includes the additional operation and maintenance expense, including the depreciation expense and cost of capital, associated with the purchase of the Herbert White pipeline;

c. Explain how Citipower expects to purchase gas from Delta, i.e., pursuant to a special contract or under a specific tariffed rate; and

d. Describe any discussions Citipower has had with Delta or commitments Delta has made regarding its ability to supply Citipower the capacity it needs through the Herbert White pipeline.

10. Refer to the “Reason for Application” attachment filed with the Application in which Citipower identifies an alternative to purchasing the Herbert White pipeline as building a new 20-mile pipeline at an estimated cost of \$6.28 million.

a. Identify the estimated useful life of the new pipeline discussed therein and explain each basis for the response; and

b. State whether Citipower would expect the operation and maintenance expenses of a new 20-mile pipeline, excluding depreciation and the cost of

capital, to be higher, lower, or consistent with the operation and maintenance expenses of the Herbert White Pipeline, and explain each basis for the response.

11. Refer to the “Reason for Application” attachment filed with the Application in which Citipower refers to a pipeline constructed in 2015 when estimating the cost of a new 20-mile pipeline to be \$6.28 million.

a. Identify the expected useful life for the pipeline referred to in the “Reason for Application” attachment as being built in 2015;

b. Explain why Citipower contends that the cost of construction for a new pipeline would be consistent with the cost of construction for the pipeline referred to in the “Reason for Application” attachment as being built in 2015; and

c. Explain who owns the pipeline identified as being built in 2015, and, if it is owned or used by Citipower, explain what it is used for.

12. Refer to the AFR-Form 1 – Attachment SAO-G on page 2, in which Citipower indicates that the acquired pipeline has a 40-year expected life.

a. Confirm that the “acquired pipeline,” as used therein, is the Herbert White pipeline for which Citipower is requesting a CPCN in this matter;

b. Identify the year in which the pipeline was constructed and identify any improvements that were made to the pipeline that Citipower contends extended its useful life;

c. Identify the date on which Citipower expects the pipeline to reach the end of its useful life; and

d. Explain how Citipower determined that the pipeline has an expected useful life of 40 years.

13. Refer to Exhibit B to the "Letter of Intent Memorandum" between Champ Oil and Citipower.

a. State whether the Herbert Walker pipeline, which Citipower is seeking a CPCN to purchase, consists of all of the assets listed in the Asset List Summary, including 183,500 feet of 6-inch plastic pipe, 180,000 feet of 2-inch, 3-inch, and 4-inch plastic pipe, 19 farm taps, and 8 compressors;

b. Identify the type of plastic pipes from which the Herbert Walker pipeline was constructed;

c. State whether the plastic pipes from which the Herbert Walker pipeline was constructed have been the subject of any notice from the Pipeline and Hazardous Materials Safety Administration related to premature failure; and

d. State whether the property listed in the Asset List Summary consists of all of the property of Champ Oil or the Herbert White Gas Company, or both, and if so, state whether Citipower is requesting a CPCN to purchase all of the assets of one or both of those companies or whether Citipower is requesting a CPCN to purchase the stock of or any ownership interest in those companies in their entirety.

14. Provide each report, correspondence, or other documents from each engineer who has provided Citipower an opinion on the remaining useful life or the condition of the Herbert White pipeline. If an engineer has not provided an opinion regarding the remaining useful life or condition of the pipeline, explain why Citipower has not sought to obtain such an opinion.

15. Provide each analysis prepared for or on behalf of Citipower regarding the condition or the remaining useful life of the Herbert White pipeline.

16. State whether the Herbert White pipeline is currently connected to Citipower's systems or Delta's system or both. State whether Citipower currently obtains gas supplied through the Herbert White pipeline, and, if so, identify the circumstances under which it obtains gas supplied through the Herbert White pipeline.

17. Describe how the Herbert White pipeline is currently used, the extent to which its capacity is currently used, and the extent to which any portion of its future capacity is contractually or otherwise obligated for use by a person or entity other than Citipower.

18. Describe any interest that Forexco and any other affiliate of Citipower currently have in the Herbert White pipeline, and describe any interest that Forexco and any other affiliate of Citipower will have in the Herbert White pipeline if Citipower purchases it under the terms for which a CPCN is requested herein.

19. Identify each wholesale customer and the number of end users currently supplied directly by the pipeline, and identify each of those wholesale customers and the number of those end users Citipower will serve when it takes over operation of the Herbert White pipeline.

20. Describe any work that Citipower will need to complete in order to use the Herbert White pipeline to transport natural gas from Delta's system to Citipower's system, explain why that work will be necessary for Citipower to use the pipeline as intended, and provide a breakdown of the estimated cost to complete that work.

21. Explain why Citipower is not able to obtain transmission capacity from the current owner of the Herbert White pipeline to purchase gas from Delta. If it is able to obtain such transmission capacity, explain why it is cost-effective for Citipower to

purchase and operate the pipeline instead of purchasing transmission capacity from the current owner of the pipeline to transport natural gas purchased from Delta to Citipower.

22. State whether Citipower, the members of Citipower, or the officers of Citipower are affiliated with Champ Oil Company, Inc. or Herb White Gas Company in any manner, and if so, describe the nature of that affiliation.

23. Provide a copy of CitiEnergy, LLC's (CitiEnergy) current organizational chart, showing the relationship between Citipower and any affiliated companies. Include the relative positions of all entities and affiliates with which Citipower routinely has business transactions.

24. List all joint or shared costs that CitiEnergy incurred during the calendar years 2016, 2017, and 2018 that are allocated to Citipower and the other affiliates. For each allocated cost, list the vendor, the total expense amount, amounts allocated per affiliate, and the basis for the allocation(s).

25. List all joint or shared costs that are incurred by an affiliate of Citipower during the calendar years 2016, 2017, and 2018 that are allocated to Citipower.

26. For each allocated cost, list the vendor, the total expense amount, amounts allocated per affiliate, and the basis for the allocation(s).

27. Describe the procedures CitiEnergy used to allocate joint and shared costs among its affiliates for the calendar years 2016, 2017, and 2018.

28. Provide all internal memorandums, policy statements, correspondence, and documents related to the allocation of joint and shared costs.

29. Provide Citipower's general ledger and trial balance for the calendar years 2017 and 2018 in paper medium and electronic Excel spreadsheet format with all columns and rows unprotected and accessible and any formulas intact.

30. Provide copies of Citipower's cash receipts and cash disbursement journals for the calendar years 2017 and 2018.

31. Provide Citipower's aged schedule of accounts receivable on December 31, 2016, December 31, 2017, and December 31, 2018.

32. Provide Citipower's schedule of accounts payable by vendor on December 31, 2016, December 31, 2017, and December 31, 2018.

33. Provide copies of Citipower's audited financial statements for calendar years 2016, 2017, and 2018. Include a copy of the auditor's work papers and all audit adjustments made to the 2018 financial statements.

34. Provide a schedule listing Citipower's 2016, 2017, and 2018 insurance coverages, including the type of coverage (i.e., vehicle insurance, general liability insurance, and workers' compensation), annual premiums, and effective dates. Also, include copies of the invoices Citipower received to support the annual premiums for each year.

35. Provide Citipower's payroll and related tax information for the calendar year 2018, and supporting time records.

36. Provide job titles, job descriptions, and pay rates for each employee on December 31 for calendar years 2014 through 2018.

37. Provide the following information for each employee in an Excel spreadsheet with all formulas intact and unprotected and all columns and rows accessible,

identified by employee number and job title, for the years 2014 through 2018 and the test year (in gross dollars—not hourly or monthly rates):

- a. Regular salary or pay.
- b. Overtime pay.
- c. Vacation pay.
- d. Standby dispatch pay.
- e. Bonus pay.
- f. Any other amounts paid (specify).
- g. Health Benefit cost for each employee:
 - (1) Amount paid by Citipower;
 - (2) Amount paid by each individual employee.
- h. Dental Benefits cost for each employee:
 - (1) Amount paid by Citipower;
 - (2) Amount paid by each individual employee.
- i. Vision Benefits cost for each employee:
 - (1) Amount paid by Citipower;
 - (2) Amount paid by each individual employee.
- j. Life Insurance cost for each employee:
 - (1) Amount paid by Citipower;
 - (2) Amount paid by each individual employee.
- k. Accidental Death and Disability Benefits for each employee:
 - (1) Amount paid by Citipower;
 - (2) Amount paid by each individual employee.

- I. 401(K) Plan cost for each employee:
 - (1) Amount paid by Citipower;
 - (2) Amount paid by each individual employee.
- m. Defined Benefit Retirement cost for each employee:
 - (1) Amount paid by Citipower;
 - (2) Amount paid by each individual employee.
- n. Cost of any other benefit available to an employee (specify).

38. For each level of health insurance coverage options available to Citipower's employees (i.e., single, family, etc.), provide the number of employees covered by Citipower's health insurance plan, any applicable employee contribution rate, the associated premiums for the test year, and each of the plans' deductible(s) amounts.

39. Refer to Citipower's Application, ARF Form 1 – Attachment CPR.

a. Explain in detail the methodology Citipower used to develop the proposed rates in this attachment.

b. If a Cost-of-Service Study (COSS) was performed, provide this COSS.

40. Refer to Citipower's Application, ARF Form 1 – Attachment RR-OR, which indicates that Citipower calculated an increase in revenue at present rates of 37.86%.

a. Explain why Citipower did not calculate rates as an across-the-board percentage on the current rates and rate structure currently in Citipower's Tariff.

b. In past rulings in ARF Cases, the Commission has found that in the absence of a COSS, an across-the-board percentage increase in the current rates is the appropriate methodology for entities utilizing the ARF application. Recalculate

Citipower's requested increase as a percentage across-the-board increase to its current rates while maintaining the current rate structure.

41. Refer to the Annual Report of Citipower to the Public Service Commission for the Calendar Year Ended December 31, 2018 (2018 Annual Report) at 29.

a. In the calendar year 2018, Citipower reported meter-reading labor of \$105,845. Describe the manner in which Citipower performs meter reading, including the number of meter readers and whether they are Citipower employees or outside contractors. If they are Citipower employees, provide their annual and/or hourly compensation rates and identify and describe the job duties they perform other than meter reading.

b. In the calendar year 2018, Citipower reports customer records and collection expenses of \$47,000. Describe in detail the manner in which Citipower performs the customer billing and collections and how it maintains the customer records. Explain whether customer billing and collections is performed by Citipower employees, by outside contractors, or by CitiEnergy employees, with the costs allocated to Citipower.

c. In the calendar year 2018, Citipower reported administrative and general salaries of \$138,498. Provide an itemized schedule listing each item that is recorded in this expense account and includes a detailed description for each item listed.

d. In the calendar year 2018, Citipower reports outside services expense of \$7,093. Provide an itemized schedule listing each item that is recorded in this expense account and includes a detailed description for each item listed.

42. Explain in detail why Citipower did not record an uncollectible expense in the calendar year 2018.

43. Confidential:¹ Refer to the Letter of Interest from Capital Bank, which is attached confidentially to the Application.

a. [REDACTED]

b. [REDACTED]

c. [REDACTED]

d. [REDACTED]

e. [REDACTED]



Gwen R. Pinson
Executive Director
Public Service Commission
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DATED **JUL 09 2019**

cc: Parties of Record

¹ This request for information refers to information for which a motion for confidential treatment is pending.

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