COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

O R D E R

On March 29, 2019, Citipower, LLC (Citipower) tendered an application requesting to adjust its rates pursuant to the procedures set forth in 807 KAR 5:076, for a Certificate of Public Convenience and Necessity (CPCN) to acquire an existing pipeline and for authority to obtain financing to acquire the existing pipeline. After the Commission addressed a motion for a deviation filed with the application and Citipower corrected deficiencies in its application, the Commission accepted Citipower's application for filing on May 31, 2019. On September 27, 2019, the Commission granted Citipower's application for a CPCN and financing approval but held Citipower's application for a rate increase open while Citipower finalized its purchase of the Herbert White pipeline. Citipower finalized the terms of the purchase of its pipeline on March 4, 2020, and the Commission now takes Citipower's request for a rate increase under submission.

BACKGROUND

Citipower is a small gas distribution utility with approximately 353 residential customers and 92 commercial and industrial customers.[1] Citipower last applied for a rate increase in 2017. Citipower indicated that it was requesting the proposed increase in base rates to cover costs associated with its purchase of the Herbert White pipeline for which Citipower received a Certificate of Public Convenience and Necessity (CPCN) in this matter.

Citipower used the calendar year ending December 31, 2018, as its test year in this matter. Citipower reported actual test-year operating revenues and expenses of $950,786 and $897,284, respectively.[2] Citipower proposed adjustments to operating expenses to reflect the costs of operating the Herbert White pipeline. Citipower also proposed adjustments to revenue to reflect the proposed base rate increases and to reflect other income it will receive from transporting third party natural gas through the Herbert White pipeline. Citipower's proposed adjustments to revenue and expenses are discussed below.

Citipower indicated that its pro forma operations support an increase in the revenue requirement from base rates of $355,951.[3] The base rates Citipower proposed produce annual base rate revenues of $1,300,565, which represents an increase of

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[1] *Annual Report of Citipower, LLC to the Public Service Commission for the Calendar Year Ended December 31, 2018* ("2018 Annual Report") at p. 26.

[2] Application, Attachment SAO-G, Schedule of Adjusted Operations – Gas Utility.

[3] Application, ARF Form 1 – Attachment RR-OR – January 2014, Revenue Requirement Calculation – Operating Ratio Method.

$355,951, or 37.68 percent, over Citipower's normalized test-year base rate revenues of $944,614.[4]

TEST YEAR

The calendar year that ended December 31, 2018, is being used as the test year to determine the reasonableness of Citipower's existing and proposed base rates. This test year is required by 807 KAR 5:076, Section 9, and therefore, the Commission finds the use of this test year to be appropriate.

INCOME STATEMENT

Citipower made a total of six adjustments to test year operating expenses and revenues. The Commission has further determined that additional adjustments are necessary to ensure that Citipower's rates are fair, just and reasonable. The pro forma income statement is attached in Appendix A and each of the adjustments is discussed separately below.

New Customers

With its purchase of the Herbert White pipeline, Citipower will add approximately 60 miles of additional lines to its existing system in areas where it does not currently offer service. Citipower acknowledged that the Herbert White pipeline currently serves 19 end-users, but indicated that it is currently unknown how many of those end-users intend to remain as a customer post acquisition.[5]

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[4] *Id*.

[5] Response to Staff's First Request, Item 19.

However, those 19 end-users are residential customers that Citipower indicated appear to be purchasing gas for their heat based needs.[6] If those customers are using gas from the Herbert White pipeline for heating, as Citipower believes, it is unlikely that they would chose to stop purchasing gas from the pipeline upon Citipower's purchase of the pipeline because it would be necessary for them to find an alternative heating source. Thus, the Commission finds that those customers will become a part of Citipower's customer base when it takes over the pipeline such that revenue from those customers should be included when establishing rates.[7]

Since Citipower does not have specific information regarding the usage of the customers,[8] it is not possible to specifically calculate the revenue that Citipower will receive from them. However, as Citipower acknowledged, the information it does have indicates that the 19 residential customers are like its current residential customers in that they purchase gas for heating.[9] The 19 customers are also similar to Citipower's current residential customers in that they live in the same geographic area. Thus, for the purpose of determining the effect of those customers on Citipower's revenue, the Commission will assume that their annual usage is, on average, consistent with the average usage of

[6] Response to Staff's Second Request, Item 11(a).

[7] *See* Response to Staff's Second Request, Item 11(b) (acknowledging that if the 19 residential customers receiving gas from the pipeline continue to purchase gas that they will be incorporated into Citipower's system and will become a part of Citipower's customer base).

[8] *See* Response to Staff's Second Request, Item 11(a) (noting the lack of specific usage data except that the customers are residential and use the gas for heating like Citipower's other customers).

[9] *Id.*

Citipower's existing residential customers and, therefore, will adjust Citipower's test year revenue by $7,148[10] based on current rates and an average annual usage of 35.62 Mcf.[11]

Gas Cost Revenues and Expenses

Citipower based its requested rate increase on its total gas service revenues and operating expenses of $950,786 and $897,284, respectively. Included in the gas service revenues are $296,523 of revenues that were recovered through Citipower's Gas Cost Recovery (GCR) mechanism and operating expenses included natural gas purchases of $299,523.[12]

The Commission's established ratemaking practice is to exclude gas costs that are recovered through the GCR mechanism from the calculation of a gas utility's base rates. Consistent with this established ratemaking practice, the Commission is reducing operating revenues and expenses by $299,523 as the under collection in the revenues will be accounted for in the GCR mechanism.[13]

Other Income

Citipower indicated that it expected to earn an additional $27,335 in revenue from transporting gas for producers through the Herbert White pipeline and proposed to include that expected revenue as a pro forma adjustment to other operating revenue in the base

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[10] (19 x $8.00 x12 months) + (35.62 Mcf x $7.85/Mcf) = $7,148 and Appendix A, Adjustment A.

[11] Response to Staff's Second Request, Item 40.

[12] Citipower's Response to Staff's Second Request for Information, Item 19 and Application, Attachment SAO-G, Schedule of Adjusted Operations – Gas Utility

[13] See Appendix A, Adjustment B.

period. The Commission finds that the proposed adjustment is reasonable and should be accepted.[14]

Transmission and Distribution Expenses

Citipower proposed pro forma adjustments to transmission expenses and distribution expenses in the amount of $100,688 and $89,430. That adjustment is intended to reflect the additional operation and maintenance cost Citipower expects to incur due its operation of the Herbert White pipeline. It is based on the 2017 and 2018 average operation and maintenance costs for the pipeline by the current owner. The Commission finds Citipower's use of the current owner's expenses to estimate the operation expenses is reasonable under the circumstances and, therefore, accepts Citipower's proposed adjustment.[15]

CitiEnergy Management Fees

Citipower included $72,000[16] in management fees paid to its parent CitiEnergy in its test-year administrative and general salaries expense of $238,850.[17] The Commission disallowed recovery of the management fees paid to CitiEnergy in Citipower's two most recent rate cases[18] because Citipower failed to present evidence that the expense was the result of an arm's length transaction or was reasonable. As in those cases, Citipower

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[14] See Appendix A, Adjustment C.

[15] See Appendix A, Adjustment D.

[16] Response to Staff's First Request for Information (Staff's First Request), Item 29 and the attachment titled "Response_29_-_2018GL" (2018 General Ledger) at lines 2314 through 2317.

[17] 2018 Annual Report at 29.

[18] Case No. 2017-00160 *Application of Citipower, LLC for a Rate Adjustment for Small Utilities Pursuant to 807 KAR 5:076* (Ky. PSC Oct. 27, 2017) and Case No. 2008-00392, *Application of Citipower, LLC for a Rate Adjustment for Small Utilities Pursuant to 807 KAR 5:076* (Ky. PSC Apr. 3, 2009).

failed to establish that the management fee is reasonable or that it should be permitted to recover the fee from ratepayers in this matter.

Pursuant to KRS 278.2207(1), "the services and products provided to a utility by an affiliate shall be priced at the affiliate's fully distributed cost but in no event greater than the market or in compliance with the utility's existing USDA, SEC, or FERC approved cost allocation methodology." Even if the affiliate's services or products are provided at prices consistent with KRS 278.2207, they may not result in rates that are not fair, just, and reasonable.[19] A utility seeking to recover costs for amounts paid to an affiliate for services or products has the burden of establishing that those amounts are reasonable and consistent with the requirements of KRS 278.2207(1).[20]

Here, Citipower explained that "[t]he management fee was developed by approximating the amount of CitiEnergy-employee time and expense consumed to facilitate the various required needs of Citipower."[21] However, it did not produce any supporting calculations or assumptions that were relied on by CitiEnergy in developing its management fee. Citipower did not perform a time study or other type of analysis to show that an annual management fee of $72,000 is reasonable for a privately owned gas utility

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[19] KRS 278.2207(2).

[20] *See* KRS 278.2209 ("In any formal commission proceeding in which cost allocation is at issue, a utility shall provide sufficient information to document that its cost allocation procedures and affiliate transaction pricing are consistent with the provisions of this chapter."); *see also* KRS 278.2207 (2) ("The utility shall have the burden of demonstrating that the requested pricing is reasonable."); *See Application of Public Service Utilities, Inc., - Boone Creek for a Rate Adjustment Pursuant to the Alternative Rate Filling for Small Utilities*, Case No. 9269, at 3 (Ky. PSC Oct. 2, 1985) ("The burden of proof is on the utility to demonstrate that the outcome of [an affiliate] transaction is fair, just and reasonable, and is substantially the equivalent of an arms-length transaction.").

[21] Response to Commission Staff's Second Request for Information ("Staff's Second Request"), Item 16 (a).

of comparable size to Citipower. Thus, there is no evidence that Citipower's supposed methodology for establishing the management fee was reasonable.

Citipower was not even clear what services or products CitiEnergy provided Citipower in consideration for the management fee. Citipower indicated that it has no written agreements with CitiEnergy for the provision of services or products and that CitiEnergy does not provide Citipower with any invoices for the services or products it provides. When asked to describe any oral agreements between it and CitiEnergy, Citipower simply stated that "CitiEnergy will perform any necessary administrative duties for Citipower for $6,000 per month,"[22] and when asked to describe the services CitiEnergy provided, it stated that "CitiEnergy manages the administrative tasks of Citipower such as bookkeeping, GCA, and other PSC required filings."[23]

However, Citipower's test period includes expenses for administrative employees employed by Citipower and the cost of contractors that perform and manage administrative functions. For instance, Citipower's test year expenses include $66,498 in management consulting expenses for Paddock Oil and Gas,[24] and Citipower described the duties of Paddock Oil and Gas as:

> Manag[ing] and oversee[ing] the day to day operations of the company; work[ing] directly with the Office Manager to ensure the daily office functions are carried out and the necessary records are kept, filed, and stored; work[ing] with the field staff to ensure the daily operations of the company are performed in a safe and competent manner; provid[ing] cross training of the staff so each of them can perform all necessary field jobs as needed.[25]

[22] Response to Staff's Second Request, Item 16 (d).

[23] Response to Staff's Second Request, Item 16 (a).

[24] 2018 General Ledger at lines 2286 through 2310.

[25] Response to Staff's Second Request, Item 15 (a).

Further, although the management fee is ostensibly $6,000.00 per month in consideration for services render, Citipower does not make regular monthly payments of the management fee but rather appears to simply make payments to CitiEnergy when it has funds available, and for a portion of the management fee "paid" in 2018, it simply reclassified another payment to CitiEnergy at the end of the year.[26] Further, the monthly amount of the management fee has also remained unchanged since at least 2015,[27] which would seem unlikely if the management fee were actually based on "the amount of CitiEnergy-employee time and expense consumed to facilitate the various required needs of Citipower" as asserted by Citipower.

For the reasons discussed above, the Commission finds that Citipower failed to provide evidence that its proposed management fee allocation complies with KRS 278.2207(1)(b). Citipower has also not provided any new evidence in this proceeding to persuade the Commission to deviate from its findings in Citipower's last two rate cases regarding the CitiEnergy management fee. Therefore, based on the evidence of record, the Commission finds that Citipower has not met its burden to show that the management fee is fair, just, and reasonable and, therefore, is reducing administrative and general salaries expense by $72,000.[28]

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[26] *See* 2018 General Ledger at lines 56, 68, and 2286 through 2310 (showing payment amounts and dates for the management expense).

[27] *See* Case No. 2017-00160 (noting that Citipower reported that the management fee was $6,000 per month).

[28] See Appendix A, Adjustment E.

Employee Health and Dental Insurance

The Commission has placed greater emphasis on evaluating employee total compensation packages, including both salary and benefits programs, for market and geographic competitiveness to ensure fair rate development and has determined that in most cases, 100 percent employer-funded health and dental care does not meet that criteria.[29] In every general rate case filed since 2016 in which a utility sought to recover its expenses for the payment of 100 percent of its employees' health insurance premiums, the Commission has reduced test year expenses for health insurance premiums to levels based on national average employee contribution rates. In fact, in Citipower's last rate case, the Commission reduced Citipower's health and dental insurance cost to reflect a 21 percent employee contribution rate for health insurance coverage and a 60 percent employee contribution rate for dental insurance premiums, and the Commission stated that "Citipower should establish a policy of reasonably limiting its employer contributions to health and dental insurance costs by requiring that all employees pay a portion of those premiums."[30]

Citipower continues to pay 100 percent of the premiums for its employees' health and dental insurance premiums.[31] While the Commission does not expect every utility to

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[29] *See, e.g.,* Case No. 2016-00434, *Application of Shelby Energy Cooperative, Inc. for an Increase in its Retail Rates*, Final Order at 6-7 (Ky. PSC July 1, 2017); Case No. 2016-00367, *Application of Nolin Rural Electric Cooperative Corporation for a General Rate Increase*, Final Order at 10-11 (Ky. PSC June 21, 2017); Case No. 2016-00365, *Application of Farmers Rural Electric Cooperative Corporation for an Increase in Retail Rates*, Final Order at 6-7 (Ky. PSC May 12, 2017); Case No 2016-00174, *Electronic Application of Licking Valley Electric Cooperative Corporation for a General Rate Increase*, Final Order at 18 (Ky. PSC Mar. 1, 2017); Case No. 2017-00349, *Electronic Application of Atmos Energy Corporation for an Adjustment of Rates and Tariff Modifications*, Final Order at 19 (Ky. PSC May 3, 2018).

[30] *See* Case No 2017-00160.

[31] Responses to Staff's First Request, Item 36; *see* Response to Staff's Second Request, Item 24.

offer the same benefit package, the Commission does expect compensation and benefits offered to employees to be consistent with those offered by businesses that operate in a competitive market and to be justified with compensation and benefits studies or other similar evidence. Based on the current market, it is difficult to see any circumstance under which the payment of 100 percent of health and dental insurance premiums could be justified.[32] Moreover, Citipower failed to establish that the payment of 100 percent of health and dental insurance premiums are justified in its case.

When asked why it contends that it is reasonable to pay 100 percent of health insurance premiums, Citipower responded that it would need to increase the salary/hourly pay for each employee to make the employees "whole" and that it "believes that this benefit is necessary to retain employees."[33] However, it provided no evidence that it would be necessary to increase employee salaries if it did not pay 100 percent of insurance premiums or that the payment of those premiums was necessary to retain employees. While it probably would not have been practical for a utility of Citipower's size to perform a full benefit study, the Commission cannot find that the payment of 100 percent of insurance premiums is justified without some evidence to support it given the national trends. Thus, the Commission finds that Citipower's insurance expense should

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[32] *See* Bureau of Labor Statistics, Healthcare Benefits, Mar. 2018, Medical care benefits: Share of premiums paid by employer and employee, private industry workers, March 2018, Table 10 (https://www.bls.gov/ncs/ebs/benefits/2018/ownership/private/table10a.pdf) (last accessed January 18, 2019) (indicating that the average private sector employee contribution rate for insurance premiums is 21 percent for individual plans and 33 percent for family plans).

[33] Response to Staff's Second Request, Item 24.

be reduced during the test period based on national average employee contributions rates of 21 percent for individual health insurance[34] and 60 percent for dental insurance.[35]

In the test year, Citipower reported paying $36,142.92 in employee health insurance premiums and $1,584.36 in employee dental insurance premiums.[36] Based on the employee contribution rates discussed above, the Commission has reduced Citipower's health insurance cost by $7,590[37] and has reduced the dental insurance cost by $951[38] for a total reduction of $8,541.[39]

Rate Case Expense

The Commission notes that Citipower did not request recovery of its rate case amortization in its application, but did request recovery in its response to Staff's Second request for information dated August 5, 2019.[40] The Commission finds that the rate case expense incurred by Citipower of $16,404 is reasonable and that Citipower should be allowed rate recovery of this cost over the requested three-year amortization period for an adjustment of $5,468.[41]

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[34] Bureau of Labor Statistics, Healthcare Benefits, March 2019, Table 10, private industry workers. (https://www.bls.gov/ncs/ebs/benefits/2019/ownership/private/table10a.pdf); *see also* Bureau of Labor Statistics, Healthcare Benefits, March 2018, Table 10, private industry workers. (https://www.bls.gov/ncs/ebs/benefits/2018/ownership/private/table10a.pdf) (showing the same percentage contribution rate in 2018).

[35] The Willis Benchmarking Survey, 2015, at 62–63. (https://www.willis.com/Documents/publications/Services/Employee_Benefits/20151230_2015WillisBenefitsBenchmarkingSurveyReport.pdf)

[36] Responses to Staff's First Request, Item 37.

[37] $36,143 x 21% = $7,590

[38] $1,584 x 60% = $951

[39] See Appendix A, Adjustment E.

[40] Response to Staff's Second Request, Item 25.

[41] See Appendix A, Adjustment E.

Depreciation

Citipower reported a test-year depreciation expense of $89,008.[42] However, Citipower proposed a pro-forma adjustment of its depreciation expense based on its purchase of the Herbert White pipeline. Specifically, Citipower projected an increase in depreciation expense of $37,500 per year arising from its purchase of the Herbert White pipeline based on a purchase price of $1.5 million and a remaining useful life of 40 years.[43] Given that construction began on the pipeline in or about late 1988 and it was constructed from high-density polyethylene pipe,[44] the Commission finds that Citipower's estimate of the remaining useful life is reasonable under the circumstances. Further, Citipower signed a contract to purchase the Herbert White pipeline from its current owner for $1.5 million. Thus, the Commission finds that Citipower's pro forma adjustment to its depreciation expense is reasonable and, therefore, accepts Citipower's proposed adjustment.[45]

Amortization

Citipower reported a test-year amortization expense of $13,188,[46] which was identified in Case No. 2008-00392 as the amortization of a Gas Plant Acquisition Adjustment.[47] The Commission eliminated this expense item from the determination of

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[42] 2018 Annual Report at 26.

[43] $1.5 million / 40 years = $37,500 per year.

[44] Response to Staff's First Request, Item 12.

[45] See Appendix A, Adjustment F.

[46] 2018 Annual Report at 26.

[47] *See* Case No. 2008-00392 final Order at 7.

Citipower's revenue requirement, finding that "[e]xcept in unusual circumstances, which the Commission does not find to exist in this case, this type of expense is not allowed for ratemaking purposes."[48] Citipower has not presented any new evidence to persuade the Commission to deviate from its prior finding, and therefore, the Commission is reducing amortization expense by $13,188.[49]

Interest Expense

Citipower filed this case primarily to recover the expenses associated with the acquisition of the Herbert White pipeline. The Commission approved the acquisition of the Herbert White pipeline in its Order on September 27, 2019. Among those expenses is the cost of financing the purchase price. Citipower has contracted with a seller to finance the loan with an annual interest rate of 6.5 percent on the total purchase price of $1,500,000 amortized over 15 years with a balloon payment in 5 years. Citipower proposed to include $96,658 in interest expense. Based on the terms of the note the Commission will make an adjustment to the proposed interest expense and finds that the interest expense to be included in the revenue requirement calculation should be the average of the interest paid during the first five years of the note, therefore the interest expense to be included shall be reduced by $9,707 to $86,951.[50]

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[48] *Id.*; *see also* Case No. 2017-00160.

[49] See Appendix A, Adjustment G.

[50] Interest to be paid in the first 5 years $434,753 divided by 5 years. *See* Note with Amortization Schedule attached Supplemental Status Report (filed Mar. 10, 2020); *see also* Application at ARF Form 1 – Attachment RR-OR (showing estimated interest expense of $96,658).

Summary Impact of Adjustments

After considering the test-year operating revenues and expenses, including appropriate adjustments found reasonable herein, the Commission has determined that the financial results of Citipower's pro forma test-year operations are as follows:

	Test Year Operations	Pro Forma Adjustments	Pro Forma Operations
Operating Revenues	$950,786	$(265,000)	$685,786
Operating Expenses	$897,284	$(171,102)	$726,182
Net Operating Income	$53,502	$(93,898)	$(40,396)

REVENUE REQUIREMENT DETERMINATION

The Commission has historically used an operating-ratio approach to determine revenue requirements for small, privately owned utilities.[51] This approach is used because either no basis for rate-of-return determination exists or the cost of the utility has fully or largely been recovered through the receipt of contributions. Given that Citipower is a small gas distribution system, the Commission finds that this method should be used to determine Citipower's revenue requirement.

As shown in the table below, Citipower's pro forma operations combined with an 88 percent operating ratio results in a revenue requirement from base rates of $878,611,

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[51] An operating ratio measures the difference between operating revenues and operating expenses. It is defined by the following equation.

$$\text{Operating ratio} = \frac{\text{Operation \& Maintenance Exp.} + \text{Depreciation} + \text{Taxes}}{\text{Gross Revenues}}$$

The Commission has found that the operating ratio is a reasonable and necessary alternative to the rate of return method for calculating the allowable net operating income for small investor owned utilities. Specifically, it has found that the rate of return method cannot be used because there is "no basis" upon which to determine a rate of return for these utilities, Case No. 95-236, *Application of Thelma Waste Control, Inc. for a Rate Adjustment Pursuant to the Alternative Rate Filing Procedure for Small Utilities* (Ky. PSC Apr. 15, 1996) at 6. Further, it has found that the operating-ratio method is appropriate when plant investment is low and operating expenses are high, Case No. 7982, *Notice of Application of Fern Lake Company* (Ky. PSC Aug. 27, 1981) at 3.

which is an increase of 34.7 percent, or $226,372, over normalized revenues from existing base rates of $ $652,239.

Pro Forma Operating Expenses (Net of Purchased Gas Costs)	$	726,182
Divide by: Operating Ratio		88%
Revenue Requirement to Cover Operating Ratio	$	825,207
Add: Interest expense	$	86,951
Total Revenue Requirement	$	912,158
Less: Other Operating Revenue	$	33,547
Revenue Requirement Base Rates	$	878,611
Present Operating Revenue (Net of Purchased Gas Costs)	$	652,239
Revenue Increase	$	226,372
Percent Increase		34.7%

RATES AND RATE DESIGN

Citipower has four rate classes designated as Residential, Commercial, Industrial, and Institutional. Citipower proposed increases to the customer charge for the Commercial, Industrial, and Institutional rate classes and increases to the volumetric charges to all rate classes. Citipower noted that in its last rate case, Case No. 2017-00160, Citipower requested a rate design that shifted much of the total financial burden towards the institutional customers rather than the residential.[52] Further, Citipower contends that the proposed residential rate design places the increase on the volumetric charge, thus argues that an increase of each customer's bill is within the control of the customer.[53] The proposed rate increases are as follows:

[52] Citipower's Response to Staff's First Request for Information, Item 39.

[53] *Id*.

Rate Class	Current		Proposed	
	Base Rate	Volumetric per Mcf	Base Rate	Volumetric per Mcf
Residential	$ 8.00	$7.85	$ 8.00	$10.00
Commercial	$15.00	$7.90	$20.00	$11.50
Industrial	$15.00	$7.90	$20.00	$11.50
Institutional	$20.00	$8.42	$25.00	$14.00

Citipower did not perform a cost-of-service study (COSS).[54] The Commission has previously found that an across-the-board increase is appropriate and equitable method of cost allocation in the absence of a COSS.[55] The Commission finds that an across-the-board increase to all rate classes is the appropriate means to allocate the increased revenue requirements. The rates set forth in the Appendix B to this Order are based upon the revenue requirement as calculated and will produce sufficient revenues from gas sales to recover the $878,611 revenue requirement from rates, an approximate 34.7 percent increase. These rates will increase a typical residential customer using 2.97 Mcf monthly gas bill from $31.31 to $41.48, an increase on $10.16, or approximately 32.45 percent.

SUMMARY

After consideration of the evidence of record and being sufficiently advised, the Commission finds that:

1. The rates proposed by Citipower would produce revenues in excess of the amount found reasonable herein and should be denied.

2. The rates set forth in the Appendix B to this Order are fair, just, and reasonable and should be approved.

[54] *Id*.

[55] *See, e.g.,* Case No. 2014-00354, *Alternative Rate Adjustment Filing of Western Mason County Water District*, Order (Ky. PSC May. 15, 2015).

IT IS THEREFORE ORDERED that:

1. The rates proposed by Citipower are denied.

2. The rates and charges found reasonable herein, and set forth in the Appendix B to this Order, are approved for service rendered by Citipower on and after the date of this Order.

3. Within 20 days of the date of this Order, Citipower shall file with this Commission, using the Commission's electronic Tariff Filling System, revised tariff sheets setting out the rates approved herein and reflecting that they were approved pursuant to this Order.

4. This case is closed and removed from the Commission's docket.

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By the Commission

ENTERED

MAR 25 2020

KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2019-00109 DATED MAR 25 2020

	Test Year	Adjustment	Reference	Pro Forma
Operating Revenue				
Sales of Gas				
Residential	$ 181,496	$ 7,148	A	$ 188,644
Commercial and Industrial	$ 763,118			$ 763,118
Interdepartmental	$ -			$ -
Sales for Resale	$ -			$ -
	$ -	$ (299,523)	B	$ (299,523)
Total Sales of Gas	**$ 944,614**	**$ (292,375)**		**$ 652,239**
Other Operating Revenues				
Forfeited Discounts	$ -			$ -
Miscellaneous Service Revenues	$ 6,172	$ 27,375	C	$ 33,547
Rent from Gas Property	$ -			$ -
Other Gas Revenues	$ -			$ -
Total Other Other Operating Revenues	**$ 6,172**	**$ 27,375**		**$ 33,547**
Total Operating Revenues	**$ 950,786**	**$ (265,000)**		**$ 685,786**
Operating Expenses				
Operation and Maintenance Expenses				
Manufactured Gas Production Expenses	$ -			$ -
Natural Gas Production Expenses	$ -			$ -
Exploration and Development Expenses	$ -			$ -
Storage Expenses	$ 299,523	$ (299,523)	B	$ -
Transmission Expenses	$ 758	$ 100,688	D	$ 101,446
Distribution Expenses	$ 60,894	$ 89,430	D	$ 150,324
Customer Accounts Expenses	$ 152,845			$ 152,845
Customer Service and Informational expenses	$ -			$ -
Administrative and General Expenses	$ 238,850	$ (86,009)	E	$ 152,841
Total Operation and Maintenance Expenses	$ 752,870	$ (195,414)		$ 557,456
Depreciation Expense	$ 89,008	$ 37,500	F	$ 126,508
Amortization Expense	$ 13,188	$ (13,188)	G	$ -
Taxes Other than Income	$ 42,218			$ 42,218
Income Tax Expense	$ -			$ -
Total Operating Expenses	**$ 897,284**	**$ (171,102)**		**$ 726,182**
Utility Operating Income	**$ 53,502**	**$ (93,898)**		**$ (40,396)**

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2019-00109 DATED MAR 25 2020

The following rates and charges are prescribed for the customers served by Citipower Corporation. All other rates and charges not specifically mentioned in this Order shall remain the same as those in effect under the authority of this Commission prior to the effective date of this Order.

RESIDENTIAL

	Base Rate	Gas Cost Recovery Rate*	Total
Customer Charge	$10.60		
All Mcf	$10.3958	$4.8663	$15.2621

COMMERCIAL AND INDUSTRIAL

	Base Rate	Gas Cost Recovery Rate	Total
Customer Charge	$19.90		
All Mcf	$10.4620	$4.8663	$15.3283

INSTITUTIONAL

	Base Rate	Gas Cost Recovery Rate	Total
Customer Charge	$26.50		
All Mcf	$11.1506	$4.8663	$16.0169

Gas Cost Recovery Rate approved in Case No. 2019-00442 effective January 1, 2020.

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