

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF CITIPOWER,)	
LLC FOR A OF RATE ADJUSTMENT FOR)	CASE NO.
SMALL UTILITIES PURSUANT TO 807 KAR)	2020-00342
5:076)	

ORDER

On October 28, 2020, Citipower, LLC (Citipower) tendered an application requesting to adjust its rates pursuant to the procedures set forth in 807 KAR 5:076. Citipower is a small gas distribution utility with approximately 365 residential customers and 86 commercial and industrial customers.¹ Citipower last applied for a rate increase in 2019. Citipower indicated that it was requesting the proposed increase in base rates due to increased costs in operations and associated costs with its purchase of the Herbert White Pipeline.

Citipower used the calendar year ending December 31, 2019, as its test year in this matter. Citipower reported actual test-year operating revenues and expenses of \$959,342 and \$962,974, 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

¹ *Annual Report of Citipower, LLC to the Public Service Commission for the Calendar Year Ended December 31, 2019* (2019 Annual Report) at 26.

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

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 for base rates of \$239,627.³ The base rates Citipower proposed will produce annual base rate revenues of \$1,390,417, which represents an increase of \$239,627, or 20.82 percent, over Citipower's normalized test-year base rate revenues of \$1,150,790.⁴

TEST YEAR

The calendar year that ended December 31, 2019, 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.

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

⁴ *Id.*

Gas Cost Revenues and Expenses

Citipower based its requested rate increase on its total gas service revenues and operating expenses of \$959,342 and \$962,974, respectively. Included in the gas service revenues are \$342,019 of revenues that were recovered through Citipower's Gas Cost Recovery (GCR) mechanism and operating expenses included natural gas purchases of \$332,100.⁵

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 by \$342,019 and expenses by \$332,100.⁶

Revenue

Citipower made a revenue adjustment of \$85,327 for residential sales and \$353,216 for commercial and industrial sales. These totals include the rate increase granted by Case No. 2009-00109,⁷ which was implemented in 2020 and a \$239,627 adjustment to revenue for the proposed rate.⁸ The Commission finds the adjustment for the increased revenues from Case No. 2019-00109 to be proper and should be allowed. However, the inclusion of the proposed revenue increase is not proper; therefore, the Commission finds that the adjustment should be removed. This results in a decrease in

⁵ Application, Attachment SAO-G, Schedule of Adjusted Operations – Gas Utility

⁶ See Appendix A, Adjustment H.

⁷ Case No. 2019-00109 *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* (Ky. PSC Mar. 25, 2020).

⁸ See Appendix A, Adjustment A.

residential revenue of \$48,543 and a decrease of \$191,084 for commercial and industrial sales.⁹

In Case No. 2019-00109, the Commission found that with the purchase of the Herbert White pipeline, 19 residential end users would become customers of Citipower and made an adjustment to revenue. These customers became customers of Citipower in 2020 outside the test year of this case and it is appropriate to include the revenue when determining rates. 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 Citipower's existing residential customers and therefore will increase Citipower's test year residential revenue by \$8,532 based on current rates and average annual usage of 30.96 MCF.¹⁰

Other Income

Citipower indicated that it expected to earn an additional \$27,375 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 period. The Commission finds that the proposed adjustment is reasonable and should be accepted.¹¹

Transmission and Distribution Expenses

Citipower proposed pro forma adjustments to transmission expenses and distribution expenses in the amount of \$37,021 and \$23,186. These adjustments reflect

⁹ See Appendix A, Adjustment F.

¹⁰ $(19 \times \$10.60 \times 12 \text{ months}) + (30.96 \text{ Mcf} \times \$10.3958/\text{Mcf}) = \$8,532$ and Appendix A, Adjustment F.

¹¹ See Appendix A, Adjustment B.

the additional operation and maintenance (O&M) expense Citipower expects to incur due its operation of the Herbert White pipeline and are based on the experience of Citipower from operation of the Herbert White Pipeline in the past year. Citipower also proposed an adjustment of \$115,925 to customer accounts expense. This adjustment includes the addition of an employee and wage and salary increases. Citipower stated that the additional duties required to operate the Herbert White Pipeline as support for the additional employee. As support for the wage and salary increase, Citipower noted employees have not received any pay increases since 2014. Citipower conducted a verbal survey of pay rates of local utilities and governmental agencies to determine an appropriate pay scale and employees were given a pay increase based on market levels. The Commission finds Citipower's proposed O&M expenses to be reasonable and, therefore, accepts Citipower's proposed adjustments.¹²

CitiEnergy Management Fees

Citipower included \$72,000¹³ in management fees paid to its parent CitiEnergy in its test-year administrative and general salaries expense of \$271,873.¹⁴ The Commission disallowed recovery of the management fees paid to CitiEnergy in Citipower's three most recent rate cases¹⁵ because Citipower failed to present evidence that the expense was

¹² See Appendix A, Adjustments C and D.

¹³ Citipower's Response to Commission Staff's First Request for Information (Staff's First Request), (filed Jan. 11, 2021), Item 14, and the attachment titled "2019_GL_Public.xlsx" (2019 General Ledger) at lines 2431–2438.

¹⁴ 2019 Annual Report at 29.

¹⁵ Case No. 2019-00109, *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* (Ky. PSC Mar. 25, 2020), 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).

the result of an arm's length transaction or was reasonable. In the present case, Citipower has presented an argument to establish that the management fee is reasonable or that it should be permitted to recover the fee from ratepayers in this matter. Citipower argues that the services provided by CitiEnergy are critical to its operations and that the duties performed by these employees could not be performed by Citipower employees. Further if these accounting and regulatory duties were not performed by CitiEnergy then it would have to contract with third parties to perform these duties at an increased cost.

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 fair, just and reasonable.¹⁶ 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).¹⁷

Citipower provided an exhibit to its application that explained that CitiEnergy provided tax services, billing, Commission filings and strategic management and

¹⁶ KRS 278.2207(2).

¹⁷ 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* Case No. 9269, *Application of Public Service Utilities, Inc., - Boone Creek for a Rate Adjustment Pursuant to the Alternative Rate Filling for Small Utilities* (Ky. PSC Oct. 2, 1985) at 3 ("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.").

planning.¹⁸ However, the exhibit was not supported by invoices, time studies, or comparable studies supporting the rates or hours set forth in the exhibit.

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 three 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 \$72,000.¹⁹

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.²⁰ 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,

¹⁸ Application at Exhibit B.

¹⁹ See Appendix A, Adjustment J.

²⁰ See, e.g., Case No. 2016-00434, *Application of Shelby Energy Cooperative, Inc. for an Increase in its Retail Rates* (Ky. PSC July 1, 2017) final Order at 6–7; Case No. 2016-00367, *Application of Nolin Rural Electric Cooperative Corporation for a General Rate Increase* (Ky. PSC June 21, 2017), final Order at 10–11; Case No. 2016-00365, *Application of Farmers Rural Electric Cooperative Corporation for an Increase in Retail Rates* (Ky. PSC May 12, 2017), final Order at 6–7; Case No. 2016-00174, *Electronic Application of Licking Valley Electric Cooperative Corporation for a General Rate Increase* (Ky. PSC Mar. 1, 2017), final Order at 18; Case No. 2017-00349, *Electronic Application of Atmos Energy Corporation for an Adjustment of Rates and Tariff Modifications* (Ky. PSC May 3, 2018), final Order at 19.

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."²¹

Citipower continues to pay 100 percent of the premiums for its employees' health and dental insurance premiums.²² While the Commission does not expect every utility to 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.²³ Moreover, Citipower failed to establish that the payment of 100 percent of health and dental insurance premiums is justified in its case.

²¹ Case No 2017-00160, *Citipower* (Ky. PSC Dec. 5, 2019), final Order at 10.

²² Citipower's responses to Staff's First Request, Item 24.

²³ 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).

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 be reduced during the test period based on national average employee contributions rates of 21 percent for individual health insurance²⁴ and 60 percent for dental insurance.²⁵

In the test year, Citipower reported paying \$45,633.43 in employee health insurance premiums and \$1,584.36 in employee dental insurance premiums.²⁶ In 2020 Citipower reports paying \$49,182.12 in employee health insurance premiums and \$2,112.48 in employee dental insurance premiums.²⁷ Based on the employee contribution rates discussed above, the Commission has reduced Citipower's health insurance cost by \$10,328²⁸ and has reduced the dental insurance cost by \$1,267²⁹ for a total reduction of \$11,595.³⁰

²⁴ 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).

²⁵ The Willis Benchmarking Survey, 2015, at 62–63. (https://www.willis.com/Documents/publications/Services/Employee_Benefits/20151230_2015WillisBenefitsBenchmarkingSurveyReport.pdf)

²⁶ Citipower's responses to Staff's First Request, Item 24.

²⁷ *Id.*

²⁸ $\$49,182 \times 21\% = \$10,328$

²⁹ $\$2,112 \times 60\% = \$1,267$

³⁰ See Appendix A, Adjustment K.

Rate Case Expense

Citipower requested recovery of its rate case amortization in its application. The Commission finds that the rate case expense incurred by Citipower of \$10,974 is reasonable and that Citipower should be allowed rate recovery of this cost over the requested three-year amortization period for an adjustment of \$3,658.³¹

Depreciation

Citipower reported a test-year depreciation expense of \$85,110.³² 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 that was accepted in Case No. 2019-00109.³³ Thus, the Commission finds that Citipower's pro forma adjustment to its depreciation expense is reasonable and therefore accepts Citipower's proposed adjustment.³⁴

Amortization

Citipower reported a test-year amortization expense of \$13,188,³⁵ which was identified in Case No. 2008-00392 as the amortization of a Gas Plant Acquisition Adjustment.³⁶ The Commission eliminated this expense item from the determination of

³¹ See Appendix A, Adjustment L.

³² 2019 Annual Report at 26.

³³ \$1.5 million / 40 years = \$37,500 per year.

³⁴ See Appendix A, Adjustment I.

³⁵ 2019 Annual Report at 26.

³⁶ See 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), 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."³⁷ Citipower has removed the amortization expense as the Commission has in previous cases and therefore, the Commission accepts the reduction in amortization expense by \$13,188.³⁸

Interest Expense

The Commission approved the acquisition of the Herbert White pipeline in its Case No. 2019-00109. The Commission approved the inclusion of \$86,951 in interest expense in the revenue requirement calculation and therefore the Commission approves the interest expense to be included should be included in this case as well.³⁹

Nonrecurring Charges⁴⁰

The Commission has also reviewed Citipower's nonrecurring charges. Following the Commission's recent decisions concerning special nonrecurring charges, the Commission finds that as personnel are paid during normal business hours, estimated labor costs previously included in determining the amount of nonrecurring charges should be eliminated from the charges.⁴¹ By reflecting only the marginal cost of the service in the nonrecurring charges, Citipower's rates will be more aligned with the principle of cost

³⁷ *Id.*, see also Case No. 2017-00160, *Citipower*.

³⁸ See Appendix A, Adjustment G.

³⁹ Application at ARF Form 1 – Attachment RR-OR (showing interest expense of \$86,951).

⁴⁰ 807 KAR 5:006, Section 9(2). A nonrecurring charge shall be included in a utility's tariff and applied uniformly throughout the area served by the utility. A charge shall relate directly to the service performed or action taken and shall yield only enough revenue to pay the expenses incurred in rendering the service.

⁴¹ See Case No. 2020-00141, *Electronic Application of Hyden-Leslie County Water District for an Alternative Rate Adjustment* (Ky. PSC Nov. 6, 2020).

causation. Merely allocating a fixed expense of ordinary labor costs in special nonrecurring charges like disconnect or reconnect fees creates a mismatch between how a utility incurs expenses and how it recovers those expenses from customers. The Commission has reviewed Citipower’s nonrecurring cost justification and has adjusted charges by removing field labor costs and CSR costs from the charges.⁴² These adjustments results in the following revised nonrecurring charges Citipower should charge as well as a pro forma adjustment to other revenue of \$(810):⁴³

<u>Charge</u>	<u>Quantity</u>	<u>Rate</u>	<u>Revenue</u>	<u>Revised Rates</u>	<u>Revenue</u>	<u>Difference</u>
Reconnect Charge	41	\$25.00	\$1,025.00	\$15.00	\$615.00	\$(410.00)
Disconnect	40	\$25.00	\$1,000.00	\$15.00	\$600.00	\$(400.00)
					Adjustment	\$(810.00)

Late Payment Charge

Citipower assesses customers who pay their bill after the due date a late fee of 10.00 percent. This fee is intended to elicit customer behavior, is not cost based, and creates a hardship on customers that are already unable to timely pay for service. The evidence collected in Case No. 2020-00085 challenged the efficiency and efficacy of delayed payment charges to certain customers.⁴⁴ In the response to the Commission’s Request for Information in Case No. 2020-00085, the data provided by many utilities demonstrated that the moratorium on late payment fees had no material effect on the percentage of customers paying on time. Based on the evidence that a delayed payment

⁴² Citipower’s response to Staff’s First Request, Item 8.

⁴³ See Appendix A, Adjustment N.

⁴⁴ Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC Sept. 21, 2020).

charge does not appear to have the intended impact on residential customers' behavior, the Commission has found that assessing a late fee for this reason to be unreasonable.⁴⁵ The Commission believes that insofar as a utility intends on continuing to charge a late fee for other purposes, such as recovering the cost driven by residential customers who pay after the defined due date, a utility should be given an opportunity to provide a cost justification for residential late fees. Citipower responded to Commission Staff's First Request that its late fee was consistent with other utilities in the area for late payment fees and did not provide cost justification. Therefore, the Commission finds that Citipower should no longer charge a late payment charge to its customers and has made an adjustment to other gas revenues of \$(5,757) to remove late payment fees charged in the test year.⁴⁶

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:

	<u>Test Year Operations</u>	<u>Pro Forma Adjustments</u>	<u>Pro Forma Operations</u>
Operating Revenues	\$959,342	\$(113,763)	\$845,579
Operating Expenses	<u>\$962,974</u>	<u>\$(157,447)</u>	<u>\$805,527</u>
Net Operating Income	\$(3,632)	\$43,684	\$(40,052)

⁴⁵ See Case No. 2020-00174, *Electronic Application of Kentucky Power Company for (1) A General Adjustment of its Rates for Electric Service; (2) Approval of Tariffs and Riders; (3) Approval of Accounting Practices to Establish Regulatory Assets and Liabilities; (4) Approval of a Certificate of Public Convenience and Necessity; and (4) All Other Required Approvals and Relief* (Ky. PSC Jan. 13, 2021), Order.

⁴⁶ See Appendix A, Adjustment M.

REVENUE REQUIREMENT DETERMINATION

The Commission has historically used an operating-ratio approach to determine revenue requirements for small, privately owned utilities.⁴⁷ 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 \$974,046, which is an increase of 19.18 percent, or \$156,743, over normalized revenues from existing base rates of \$ \$817,303.

⁴⁷ An operating ratio measures the difference between operating revenues and operating expenses. It is defined by the following equation.

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

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.

Pro Forma Operating Expenses (Net of Purchased Gas Costs)	\$ 805,527
Divided by: Operating Ratio	<u>0.88</u>
Sub-Total	915,371
Less: Pro Forma Operating Expenses Before Income Taxes	<u>(805,527)</u>
Net Income Allowable	109,844
Add: Provision for State and Federal Income Taxes, if Applicable	-
Interest Expense	86,951
Pro Forma Operating Expenses Before Taxes	805,527
Cost of Natural Gas	<u>-</u>
Total Revenue Requirement	1,002,322
Less: Other Operating Revenue	(28,276)
Non-operating Revenue	-
Interest Income	<u>-</u>
Total Revenue Required from Rates for Service	974,046
Less: Revenue from Sales at Present Rates Net of Purchased Gas Costs)	<u>817,303</u>
Required Revenue Increase	<u>\$ 156,743</u>
Percentage Increase	<u>19.18%</u>

RATES AND RATE DESIGN

Citipower has four rate classes designated as Residential, Commercial, Industrial, and Institutional. Citipower proposed to increase the monthly customer charge and volumetric rates, in all customer classes, by the same percentage amount so that the total increase is spread out as evenly as possible.⁴⁸ Citipower stated that it decided to do an equal percentage allocation between monthly and volumetric rates to help keep monthly bills comparatively lower during the warmer months.⁴⁹ The proposed rate increases are as follows:

⁴⁸ Application at Supplemental Information.

⁴⁹ Citipower's response to Staff's First Request Item 2b.

Rate Class	Current		Proposed	
	Base Rate	Volumetric per Mcf	Base Rate	Volumetric per Mcf
Residential	\$10.60	\$10.3958	\$13.74	\$13.4759
Commercial	\$19.90	\$10.4620	\$25.80	\$13.5617
Industrial	\$19.90	\$10.4620	\$25.80	\$13.5617
Institutional	\$26.50	\$11.1506	\$34.35	\$14.4544

Citipower did not perform a cost of service study (COSS).⁵⁰ Upon review of Citipower’s annual reports a shift has occurred with the residential rate class contributing 14 percent of the total revenue in 2012 to 19 percent in 2019.⁵¹ The Commission finds that if this trend continues, a COSS will need to be performed by Citipower to ensure that a subsidization in rates does not occur. 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 and finds in this case that an across-the-board increase is appropriate.⁵² 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 \$974,046 revenue requirement from rates, an approximate 19.18 percent increase. These rates will increase the gas bill of a typical residential customer using

⁵⁰ Citipower’s response to Staff’s Second Request, Item 8.

⁵¹ *Annual Report of Citipower, LLC to the Public Service Commission for the Calendar Year Ended December 31, 2012 and 2019 Annual Report.*

		CitiPower LLC Annual Reports							
		2019	2018	2017	2016	2015	2014	2013	2012
Total	Customers	451	445	444	429	416	400	400	390
	Mcf	67,568	73,354	56,031	65,482	73,450	78,627	85,025	65,432
	Revenue	\$ 951,874	\$ 944,614	\$ 653,182	\$ 709,355	\$ 883,162	\$ 968,343	\$ 980,610	\$ 741,904
Residential	Customers	365	353	351	334	324	308	309	301
	Mcf	10,950	12,570	9,762	10,072	9,839	11,060	10,505	7,891
	Revenue	\$ 183,590	\$ 181,496	\$ 121,263	\$ 122,418	\$ 139,798	\$ 148,806	\$ 136,631	\$ 103,201
Percentage of Revenue Over Total									
Residential Rate Class		19%	19%	19%	17%	16%	15%	14%	14%

⁵² See, e.g., Case No. 2014-00354, *Alternative Rate Adjustment Filing of Western Mason County Water District* (Ky. PSC May. 15, 2015) Order.

2.58 Mcf monthly from \$37.42 to \$44.59, an increase on \$7.16, or approximately 19.14 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.

IT IS THEREFORE ORDERED that:

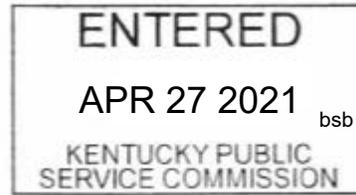
1. The rates proposed by Citipower are denied.

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 Filing 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.

By the Commission



ATTEST:


Executive Director

Case No. 2020-00342

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2020-00342 DATED APR 27 2021

	Test Year	Adjustment	(Ref.)	Staff Adjustment	(Ref.)	Pro Forma
Operating Revenues						
Sales of Gas						
Residential	\$ 183,590	\$ 85,327	(A)	\$ (48,543)	F	\$ 220,374
Residential				\$ 8,532	F	\$ 8,532
Commercial and Industrial	768,284	353,216	(A)	(191,084)	F	930,416
Interdepartmental						
Sales for Resale						
				(342,019)	H	\$ (342,019)
Total Sales of Gas	<u>951,874</u>	<u>438,543</u>		<u>(573,114)</u>		<u>817,303</u>
Other Operating Revenues						
Forfeited Discounts						-
Miscellaneous Services Revenues		27,375	(B)			27,375
Rent from Gas Property						-
Other Gas Revenues	7,468			(5,757)	M	1,711
Other Gas Revenues				(810)	N	(810)
Total Operating Revenues	<u>959,342</u>	<u>465,918</u>		<u>(579,681)</u>		<u>845,579</u>
Operating Expenses						
Operation and Maintenance Expenses						
Manufactured Gas Production Expenses						-
Natural Gas Production Expenses						-
Exploration and Development Expenses						-
Storage Expenses						-
Other Gas Supply Expenses	332,100			(332,100)	H	-
Transmission Expenses	1,451	37,021	(C)			38,472
Distribution Expenses	60,557	23,186	(C)			83,743
Customer Accounts Expenses	153,404	115,925	(C,D)			269,329
Customer Service and Informatonal Expenses						-
Administrative and General Expenses	271,873	54,146	(E)	\$ (72,000)	J	254,019
Administrative and General Expenses				\$ (11,595)	K	(11,595)
Administrative and General Expenses				\$ 3,658	L	3,658
Total Operation and Maintenance Expenses	<u>819,385</u>	<u>230,278</u>		<u>(412,037)</u>		<u>637,626</u>
Depreciation	85,110	37,500	(I)			122,610
Amortization Expense	13,188	(13,188)	(G)			-
Taxes Other Than Income	45,291					45,291
Total Operating Expense	<u>962,974</u>	<u>254,590</u>		<u>(412,037)</u>		<u>805,527</u>
Utility Operating Income	<u>\$ (3,632)</u>	<u>\$ 211,328</u>		<u>\$ (167,644)</u>		<u>\$ 40,052</u>

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2020-00342 DATED APR 27 2021

The following rates and charges are prescribed for the customers served by Citipower, LLC. 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

	<u>Base Rate</u>	<u>Gas Cost Recovery Rate*</u>	<u>Total</u>
Customer Charge	\$12.62		
All Mcf	\$12.3897	\$5.8875	\$18.2772

COMMERCIAL AND INDUSTRIAL

	<u>Base Rate</u>	<u>Gas Cost Recovery Rate</u>	<u>Total</u>
Customer Charge	\$23.72		
All Mcf	\$12.4688	\$5.8875	\$18.3563

INSTITUTIONAL

	<u>Base Rate</u>	<u>Gas Cost Recovery Rate</u>	<u>Total</u>
Customer Charge	\$31.58		
All Mcf	\$13.2893	\$5.8875	\$19.1768

*Gas Cost Recovery Rate approved in Case No. 2021-00096 effective April 1, 2021.

NONRECURRING CHARGES

Turn on Charge	\$15.00
Reconnect Charge	\$15.00
Termination or Field Collection Charge	\$15.00
Special Meter Reading Charge	\$15.00
Meter Resetting Charge	\$15.00
Meter Test Charge	\$15.00

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