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December 21, 2006 **RECEIVED**

Beth A. O'Donnell
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40602

DEC 27 2006
PUBLIC SERVICE
COMMISSION

**RE: CITIPOWER, LLC APPLICATION FOR RATE ADJUSTMENT
CASE NUMBER 2006-00556**

Dear Ms. O'Donnell:

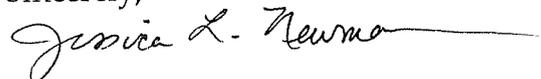
Citipower, LLC, recently submitted its amended 2005 Annual Report to the Public Service Commission ("PSC"). Citipower, LLC's Application for Rate Adjustment has been amended to reflect the changes in the Amended 2005 Annual Report. Enclosed are ten (10) copies of the replacement pages of the application.

Pages two (2) and three (3) of the Application have been revised, as well as Exhibits A and C. The Residential Sales and Miscellaneous Service Revenues both increased, thus raising the Total Revenues for 2005. These increases also caused the decrease in revenue from 2005 to 2006 to be larger. The Total Expenses for 2005 have decreased. The Operation and Maintenance costs rose, but the interest paid decreased. Exhibit A has been amended to reflect these changes. The explanation of the interest calculation currently attached as Exhibit B can now be ignored.

After the adjustments were made, the amount of Revenues less Expenses for 2005 increased from (\$98,287.00) to (\$16,031.00). The Adjusted Amount of Revenues less Expenses decreased from (\$559,730.00) to (\$563,717.00).

If you have any questions or concerns regarding Citipower, LLC's Application for Rate Adjustment, please contact me.

Sincerely,



Jessica L. Newman

Enclosures
Cc: Hon. Gregory Stumbo, Attorney General

II. Increased Cost Information

(1) The most recent Annual Report will be used as the basic test period data in order to determine the reasonableness of the proposed rates. The Annual Report used as the basis for the 12 months ending December 31, 2005.

a. If you have reason to believe some of the items of revenue and expense listed in the Annual Report will increase or decrease, please list each item, the expected increase or decrease and the adjusted amount.

<u>Item Per Annual Report</u>	<u>Amount Per Annual Report</u>	<u>Increase (Decrease)</u>	<u>Adjusted Amount</u>
<u>Revenues:</u>			
Residential Sales	\$ 205,420.00	\$	\$
Commercial and Industrial Sales	1,218,172.00		
Transportation of Gas	47,542.00		
Miscellaneous Service	13,268.00		
Total Revenues	<u>\$ 1,484,402.00</u>	<u>\$(404,075.00)</u>	<u>\$ 1,080,327.00</u>
 <u>Expenses:</u>			
Operation and Maintenance	1,297,374.00 ¹	198,908.00	1,496,282.00
Depreciation	82,393.00		82,393.00
Amortization and Depletion	13,188.00		13,188.00
Taxes other than income	37,806.00		37,806.00
Other Deductions	69,672.00	(55,297.00) ²	14,375.00
Total Expenses	<u>\$1,500,433.00</u>	<u>\$ 143,611.00³</u>	<u>\$ 1,644,044.00</u>
Revenues Less Expenses	<u>\$ (16,031.00)</u>	<u>\$ _____</u>	<u>\$ (563,717.00)</u>

¹ An itemized listing of the operation and maintenance expenses is attached hereto as Exhibit "A."

² A detailed list of interest payments and invoices for interest paid in 2005 are attached hereto collectively as Exhibit "B."

³ A detailed calculation of the total net increase in expenses is attached hereto as Exhibit "C."

- b. Please describe each item that you adjusted on page 2 and how you know it will change. (Please attach invoices, letters, contracts or receipts which will help in proving the change in cost).

Decrease in Revenues- Attached hereto as Exhibit D is Citipower, LLC's revenue report through August 2006.

Increase in Operation and Maintenance Expenses- Due to increased natural gas wholesale prices in 2006, Citipower, LLC, expenses for purchasing natural gas supplies will be higher than in 2005. See Exhibit "E," 2005 Natural Gas Field Purchases, and Exhibit "F," 2006 Natural Gas Field Purchases.

Increase in Operation and Maintenance Expenses- Citipower, LLC's accounting costs and interest fees increased in 2006. Citipower, LLC's 2005 accounting costs were \$28,397.00. See Exhibit "G." Accounting costs have been \$28,446.85 in 2006. See Exhibit "H."

- c. Please list your present and proposed rates for each class (i.e., residential, commercial, etc.) of customer and the percentage of increase proposed for each class:

<u>Customer Class</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Percent Increase</u>
1. Residential	\$16.1105/mcf	discussion needed	
2. Commercial	\$16.1105/mcf	discussion needed	
3. Industrial	\$15.1105/mcf	discussion needed	
4. Institutional	\$15.1105/mcf	discussion needed	

Exhibit A

Itemized List of Operating and Maintenance Expenses Based Upon Data from the Amended 2005 Annual Report

OTHER GAS SUPPLY EXPENSES	
Natural Gas City Gate Purchases	735,803.00
TRANSMISSION EXPENSES	
Compression Station Labor and Expenses	3,848.00
Rents	41,732.00
Maintenance of Compressor Station Equipment	2,412.00
DISTRIBUTION EXPENSES	
Measuring and Regulating Expenses	5,560.00
Meter and House Regulator Expenses	5,870.00
Other Expenses	18,623.00
Rents	13,864.00
Maintenance of Mains	501.00
Maintenance of Other Equipment	1,669.00
CUSTOMER ACCOUNTS EXPENSES	
Meter Reading Labor	76,747.00
Customer Records and Collection Expenses	27,742.00
ADMINISTRATIVE AND GENERAL EXPENSES	
Administrative and General Salaries	183,461.00
Office Supplies and Expenses	46,500.00
Outside Services Employed	117,832.00
Injuries and Damages	713.00
Employee Pensions and Benefits	12,412.00
Regulatory Commission Expenses	65.00
General Advertising Expenses	805.00
Miscellaneous General Expenses	429.00
Rents	361.00
Maintenance of General Plant	425.00
TOTAL OPERATION AND MAINTENANCE EXPENSES	
	1,297,374.00

EXHIBIT C

**ITEMIZED LIST OF INCREASED EXPENSES
Increase from 2005 to 2006**

OTHER GAS SUPPLY EXPENSES

Natural Gas City Gate Purchases	\$194,037.00
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ADMINISTRATIVE AND GENERAL EXPENSES

Outside Services Employed	\$4,871.00
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NET OPERATION AND MAINTENANCE INCREASE	\$198,908.00
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OTHER DEDUCTIONS

Interest Payable	(\$55,297.00)
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NET INCREASE IN EXPENSES FROM 2005 TO 2006	\$143,611.00
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LAW OFFICES
1005 S. MAIN STREET, SUITE 101
CORBIN, KENTUCKY 40701

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