

Exhibit 1  
Decision No. C05-1185



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P.O. Box 270868 • 7810 Shaffer Pkwy., Ste. 120 • Littleton, CO 80127 • Phone (303) 979-7680 • Fax (303) 979-7892

August 30, 2005  
Advice Letter No. 27

Public Utilities Commission of the State of Colorado  
1580 Logan Street, OL- 2  
Denver, Colorado 80203

The accompanying tariff sheets issued by Colorado Natural Gas, Inc. ("CNG" or the "Company") are sent to you for filing in accordance with the requirements of the Public Utilities Law:

COLORADO P.U.C. NO. 1

and the following sheets are attached:

<u>Colorado P.U.C. Sheet No.</u>	<u>Title of Sheet</u>	<u>Cancels</u> <u>Colorado P.U.C. Sheet No</u>
Second Amended Sheet 7	Natural Gas Rates	First Amended Sheet 7
Second Amended Sheet 8	Natural Gas Rates	First Amended Sheet 8
Second Amended Sheet 9	Natural Gas Rates	First Amended Sheet 9
Seventh Amended Sheet 9A	Natural Gas Rates	Sixth Amended Sheet 9A
Second Amended Sheet 10	Natural Gas Rates	First Amended Sheet 10
Second Amended Sheet 11	Natural Gas Rates	First Amended Sheet 11
Second Amended Sheet 12	Natural Gas Rates	First Amended Sheet 12
Ninth Amended Sheet 12A	Natural Gas Rates	Eighth Amended Sheet 12A
First Amended Sheet 13	Natural Gas Rates	Original Amended Sheet 13
Second Amended Sheet 14	Natural Gas Rates	First Amended Sheet 14
Second Amended Sheet 16	Natural Gas Rates	First Amended Sheet 16
Second Amended Sheet 18	Natural Gas Rates	First Amended Sheet 18
Second Amended Sheet 20	Natural Gas Rates	First Amended Sheet 20
Second Amended Sheet 23	Natural Gas Rates	First Amended Sheet 23
Second Amended Sheet 26	Natural Gas Rates	First Amended Sheet 26
Second Amended Sheet 41	Natural Gas Rates	First Amended Sheet 41
Second Amended Sheet 43	Natural Gas Rates	First Amended Sheet 43

The principal proposed change is: to revise the Distribution Charge for service under the gas rate schedules in CNG's Colorado P.U.C. No. 1 tariff to become effective October 1, 2005. The proposed revisions will apply to gas sales service under CNG's Residential Gas Service (Schedules RG-B, RG-C) and Commercial Gas Service (Schedules CG-B, CG-C) for its Bailey and Cripple Creek Divisions. The Conifer Division is excluded from the proposed change because service on a limited basis within this division did not begin until November 2004 and the system is currently under development.

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CNG is proposing to increase its gas utility base rate revenues by approximately \$0.9 million on an annual basis, or about 27.30 percent, on jurisdictional base rate gas revenues of \$3.3 million. The proposed increase is 12.49 percent over total jurisdictional gas service revenues of \$7.5 million, including gas costs of \$4.2 million. The Company's proposed increase in base rates is intended to recover certain increases incurred by the Company in the annual distribution costs to serve gas customers based upon revenue requirements for the test year ending March 31, 2005. The base rates do not include the cost of the gas commodity or the cost of upstream gathering, storage and transportation services purchased by the Company, which it recovers from customers through its Gas Cost Adjustment mechanism.

CNG's proposed rate change leaves the Service and Facility Charge for residential and commercial customer classes at their current levels, increasing only the Distribution Charge.

Contemporaneously filed with this Advice Letter are testimony and exhibits, which both explain and justify the Company's proposals herein to revise its base rates.

The effect of this filing on the Company's annual base rate gas revenues is an increase of \$0.9 million based on the twelve months ended March 31, 2005. The proposed filing would allow the Company an opportunity to earn an 8.90 percent return on equity and a 6.03 percent overall return on rate base for the Bailey Division and a 9.49 percent return on equity and a 6.23 percent return on rate base for the Cripple Creek Division. CNG believes a 15.00 percent return to common equity and an 8.14 percent return on rate base is justified for both Divisions. However, competitive pressures limit CNG's ability to fully recover its cost-of-service.

Customers of the Company will be affected as shown below. The current average monthly bills include the 2005 Gas Cost Adjustment (GCA) amounts.

### **IMPACT OF NEW RATES**

<b>Rate Schedule</b>	<b>Average Monthly Usage therms</b>	<b>Current Average Monthly Bill</b>	<b>Proposed Average Monthly Bill</b>	<b>Monthly Change</b>	<b>Percent Rate Impact</b>
<b>RG-B</b>	<b>73.84</b>	<b>\$95.66</b>	<b>\$107.10</b>	<b>\$11.45</b>	<b>11.97%</b>
<b>CG-B</b>	<b>380.12</b>	<b>\$460.94</b>	<b>\$519.86</b>	<b>\$58.92</b>	<b>12.78%</b>
<b>RG-C</b>	<b>48.39</b>	<b>\$70.84</b>	<b>\$79.79</b>	<b>\$8.95</b>	<b>12.64%</b>
<b>CG-C</b>	<b>476.98</b>	<b>\$619.71</b>	<b>\$707.95</b>	<b>\$88.24</b>	<b>14.24%</b>

Customers of the Company receiving gas service as of the date of this filing will be notified of this filing by individual notice included with monthly bills mailed by first class mail on August 30, 2005, and by general notice published in the legal classified sections of The Denver Post, a newspaper of general circulation in CNG's gas service territory. A copy of the official notice is attached hereto as Appendix A.

It is requested that the changed tariffs accompanying this advice letter become effective on October 1, 2005.

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Please send copies of all notices, pleadings, correspondence, and other documents regarding this filing to:

Michael Earnest  
Chief Executive Officer  
Colorado Natural Gas, Inc.  
7810 Shaffer Parkway  
Suite 120  
Littleton, Colorado 80127  
Telephone: (720) 981-2117  
Fax: (303) 979-7892  
And

Kenneth C. Wolfe, Esq.  
Colorado Natural Gas, Inc.  
7810 Shaffer Parkway  
Suite 120  
Littleton, Colorado 80127  
Telephone: (720) 981-2114  
Fax: (303) 979-7892

And

Thomas R. O'Donnell, Esq.  
Holland & Hart LLP  
555 17th Street  
Suite 3200  
Denver, CO 80202  
Telephone: (303) 295-8291  
Fax: (303) 295-8261

By: M.P. Earnest

Michael Earnest, Chief Executive Officer