

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

DOCKET NO. 00K-072G

DOCKET NO. 99A-552G

APPLICATION OF PEOPLES NATURAL GAS COMPANY FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO PROVIDE NATURAL GAS SERVICE IN A DESIGNATED AREA WITHIN EL PASO COUNTY, COLORADO.

DOCKET NO. 00A-009G

IN THE MATTER OF THE APPLICATION OF THE CITY OF COLORADO SPRINGS FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO PROVIDE NATURAL GAS PUBLIC UTILITY SERVICE TO ADDITIONAL AREAS IN EL PASO COUNTY, COLORADO

PARTIAL STIPULATION AND SETTLEMENT AGREEMENT

Peoples Natural Gas Company ("Peoples"), a division of UtiliCorp United Inc. ("UtiliCorp") and Colorado Springs Utilities, an enterprise of the City of Colorado Springs ("CSU") (collectively, the "Parties") hereby enter into this Stipulation and Settlement Agreement for the purpose of resolving certain contested issues in this docket.

I. RECITALS

1. This is the consolidated docket of Docket No. 99A-552G and 00A-009G, applications by Peoples and CSU respectively for certificates of public convenience and necessity to provide natural gas service to certain areas of El Paso County, Colorado. Colorado Interstate Gas ("CIG") intervened in CSU's original application, but only for purposes of monitoring the docket. The only intervenor actively participating in this consolidated docket is the Staff of the Colorado Public Utilities Commission.

Exh. No. 1
Appl. No. 00K-072G
Witness _____

2. Peoples is a public utility engaged in its Colorado service territory in the distribution and resale of natural gas for domestic, mechanical, or public uses. At present, Peoples provides natural gas service to approximately 34,000 residential and approximately 3,000 industrial/commercial customers in Colorado. As a public utility, Peoples is subject to the Commission's jurisdiction, pursuant to the Colorado Public Utilities Law, Articles 1 to 7, Title 40, Colorado Revised Statutes.

3. CSU is an enterprise of the City of Colorado Springs, and currently provides natural gas service to Colorado Springs and much of the surrounding metropolitan area. CSU currently serves nearly 135,000 residential gas customers and 14,000 industrial/commercial customers. For natural gas services outside the municipal limits of the City of Colorado Springs, CSU is subject to the Commission's jurisdiction pursuant to Colorado Revised Statutes, Title 40, Articles 1 through 7, as limited by Colo. Rev. Stat. § 40-3.5-101.

4. The existing natural gas service territory boundaries of Peoples and CSU in El Paso County are adjacent to one another. As a result, portions of each utilities' respective applications overlap. The overlapping sections have been referred to as the Meridian Ranch area and can be identified by the following legal description:

Township 12S, Range 64W, Sections 19 - 23 and 26 - 30.

5. In addition to the overlapping area, Peoples seeks certification of areas to the north and east of the Meridian Ranch area, referred to in Peoples' testimony as the "Black Forest area," and CSU seeks natural gas certification of areas to the south of the Meridian Ranch area, hereinafter referred to as the "Falcon area." Peoples has also sought certification of territory in the Fountain Valley area, which area includes the southern one-third of the Clear

Spring Ranch. Currently, Peoples' existing service territory in the Fountain Valley area includes the northern two-thirds of Clear Spring Ranch.

6. The Parties have submitted prefiled written direct, answer and rebuttal testimonies and exhibits in this docket. A prehearing conference is set for August 16, 2000. Hearing is presently scheduled for August 23, 24, and 25, 2000.

7. On August 8, 2000, CSU filed a Petition for Declaratory Order in this docket, and a separate Complaint, Docket No. 00F-446G related to Peoples' proposed extension of its natural gas line to the area of Peyton, Colorado. The Commission's Order to Satisfy or Answer issued August 10, 2000 and hearing is scheduled for September 22, 2000.

8. The Parties have actively engaged in pre-hearing investigation, informal discussions, and settlement negotiations. As a result of the settlement process, several outstanding issues in this docket have been resolved to the satisfaction of the Parties, as set forth below. The Parties will file a map reflecting the areas described herein on or before August 21, 2000.

II. AGREEMENT

A. **Black Forest and Falcon areas.**

1. Peoples withdraws its opposition in this docket to CSU's certification of that portion of natural gas service territory that does not duplicate the territory Peoples seeks to certificate in this docket, which area can be identified by the following legal description:

Township 12S, Range 64W, Sections 33, 34, 35; and
Township 13S, Range 64W, Sections 2 - 4, 9 - 11, and 14 - 16.

Peoples also agrees not to seek natural gas certification of this area in the future.

2. Peoples further agrees not to oppose certification by CSU of additional natural gas service territory to the south and east of the territory CSU has proposed to certificate in this docket, which area can be identified by the following legal description:

Township 14S, Range 64W, Sections 1 - 4; Township 13S, Range 64W, Sections 1, 12, 13, 21 - 28, and 33 - 36; and Township 12S, Range 64W, Section 36.

Within thirty (30) days from the effective date of a final Commission decision in this docket, CSU agrees to file an application with this Commission to certificate the above-described area. Peoples agrees to refrain from intervening in CSU's application proceeding or otherwise opposing certification of that area to CSU in any way, either directly or indirectly, nor will Peoples provide natural gas distribution service to customers in the described area.

3. CSU agrees to withdraw its Petition for Declaratory Order ("Petition") filed in this docket, and to voluntarily dismiss its Complaint in Docket No. 00F-446G as soon as possible after receiving approval of this Stipulation and Settlement Agreement. CSU will not oppose a motion by Peoples to hold the procedural dates for the Petition and Complaint in abeyance pending approval of this Stipulation and Settlement Agreement.

4. The subject matter of the above-referenced Petition and Complaint relates to the issue of whether Peoples is required to obtain a certificate of public convenience and necessity from the Colorado Public Utilities Commission for a pipeline it proposes to construct from its existing high pressure gas main located in Peoples' existing certificated service territory at Schriever Air Force Base, El Paso County, Colorado, to Peyton, Colorado ("the Peyton Pipeline"). The pipeline extension will run through territory where CSU seeks natural gas certification of in this docket, and is one of the subjects of settlement in this Stipulation and

Agreement. By entering into this Stipulation and Agreement, Peoples acknowledges that it will not provide natural gas distribution service to customers in the area described in Sections II(A)(1) and (2) above.

5. CSU agrees that it will not further oppose, either directly or indirectly, Peoples' construction of the Peyton Pipeline, or the provision of natural gas distribution service to SunBlest Farms, just outside the town of Peyton, nor will CSU provide natural gas distribution service to customers in these areas described in paragraph 6 below.

6. Additionally, within thirty (30) days from the effective date of a final Commission decision in this docket, Peoples agrees to file an application with the Commission to certificate an area around the town of Peyton, that can be identified by the following legal description:

Township 12S, Range 63W, Sections 5, 6, 7 and 8.

CSU agrees to refrain from intervening in Peoples' application proceeding or otherwise opposing certification of that area to Peoples in any way, either directly or indirectly.

B. Clear Spring Ranch area (Fountain Valley).

1. Peoples withdraws that portion of its Application in this docket that proposes to certificate territory located in the Clear Spring Ranch area, that can be identified by the following legal description:

Township 17S, Range 65W Sections 5 and 6; those portions of Township 17S, Range 65W Sections 4, 8 and 9 located within the boundaries of Clear Spring Ranch;

2. Peoples and CSU agree to file, within thirty (30) days from the effective date of a final Commission decision in this docket, a joint application to transfer Peoples'

existing certificated natural gas service territory in Clear Spring Ranch to CSU, which area can be identified by the following legal description:

Township 16S, Range 65W, Sections 31, 32; and those portions of Township 16S, Range 65W, Sections 19, 20, 28, 29, 30 and 33 that lie within the boundaries of Clear Spring Ranch.

Alternatively, within thirty (30) days from the effective date of a final Commission decision in this docket, the Parties agree to file separate, simultaneous applications to accomplish Peoples' relinquishment of its existing service territory in Clear Spring Ranch, described above, and CSU's certification of that territory. CSU recognizes its obligation to serve customers in the area certificated to it. The Parties agree to cooperate in the accomplishment of such applications, and agree not to oppose, either directly or indirectly, the other's application.

3. Subsequent to the approval of the applications referenced in paragraph B(2) above, in the event that the City of Colorado Springs sells or leases property in Clear Spring Ranch for uses other than water, wastewater, natural gas transmission and/or distribution, electric generation and/or transmission, or related uses, CSU agrees to allow Peoples to provide natural gas distribution service to that territory, and will not oppose Peoples' certification of any such territory, either directly or indirectly. To the extent Peoples purchases CSU infrastructure, Peoples will compensate CSU at CSU's book value at the time of transfer.

4. CSU and Peoples agree to negotiate in good faith to clarify, and, to the extent necessary, modify their respective natural gas service territory boundaries where they are adjacent to one another, including, but not limited to, Fontaine Boulevard, Fountain, Colorado.

C. Meridian Ranch area (remaining disputed territory).

1. As to the remaining territory sought to be certificated by both Parties, the Parties agree to proceed to hearing to determine certification of the area known as Meridian Ranch, that can be identified by the following legal description:

Township 12S, Range 64W, Sections 19 - 23 and 26 - 30;

as well as an area sought solely by Peoples' application that can be identified by the following legal description:

Township 12S, Range 64W, Section 24 and 25.

III. MISCELLANEOUS

1. Through active pre-hearing investigation and negotiation, the Parties have reached the agreement set forth herein concerning certain contested and unresolved issues in this docket in a manner which the Parties agree is just and reasonable and in the public interest.

2. The Parties further agree that reaching agreement by means of negotiation and settlement rather than through litigation is in the public interest and expressly request that the Commission approve this Stipulation and Settlement Agreement.

3. The Parties agree to present, to support, and to defend this Stipulation and Settlement Agreement before the Commission and the courts. The Parties further agree, if necessary, to present testimony and exhibits to the Commission to secure the approval of this Stipulation and Settlement Agreement.

4. The Parties agree that all matters that were raised or that could have been raised in this docket have been resolved by this Stipulation and Settlement Agreement, with the exception of the remaining disputed service territory.

5. This Stipulation and Settlement Agreement has been entered into solely for the purpose of resolving certain issues in this proceeding involving the Parties to this Stipulation and Settlement Agreement. Therefore, because the Parties have entered this Stipulation and Settlement Agreement for resolving the certain issues raised by the Parties in this docket only, the issues and matters resolved by this Stipulation and Settlement Agreement apply only to this docket and the issues raised herein, and any further filings to effectuate the terms of this Agreement. Notwithstanding the resolution of the issues set forth in this Stipulation and Settlement Agreement, no methodology or principle contained herein shall be deemed or construed as a settled practice or precedent in any future proceeding. No Settling Party shall be deemed or construed to have agreed to any principle or methodology by entering this Stipulation and Settlement Agreement, other than for the purpose of settling part of this docket without further litigation. Except as otherwise provided herein, the Parties reserve the right to advocate positions different from those stated in this Stipulation and Settlement Agreement in the future. Nothing herein shall constitute a waiver by any Settling Party with respect to any matter not specifically addressed in this Stipulation and Settlement Agreement. The Parties do agree to a waiver of any Commission rule or regulation, if any, to the extent necessary to implement or to effectuate this Stipulation and Settlement Agreement.

6. The Parties jointly request that this Stipulation and Settlement Agreement be approved by the Commission without material change or amendment. If this Stipulation and

Settlement Agreement is not approved in its entirety, or is approved with conditions which are unacceptable to any Settling Party, that Settling Party may withdraw from this Stipulation and Settlement Agreement by serving written notice of such withdrawal on the Commission and the other Settling Party within five working (5) days of the effective date of such written decision by the Commission.

7. As a result of entering this Stipulation and Settlement Agreement, the Parties believe that the scope of the hearing can be narrowed to the issue of determining certification of the remaining contested area.

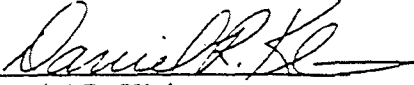
8. Consistent with Section III, paragraph 5 above, the Staff of the Colorado Public Utilities Commission (the "Staff") has reviewed the terms of this Stipulation and Settlement Agreement and supports the terms of settlement described herein.

IV. CONCLUSION

For the reasons stated above, the Parties respectfully request that the Commission enter an order approving this Stipulation and Settlement Agreement with the understanding that the Commission's approval of this Stipulation and Settlement Agreement represents a fair, just, and reasonable resolution of certain of the issues in this docket, and that the presently scheduled hearing proceed to address the remaining sections of territory in dispute.

DATED this 16th day of August 2000.

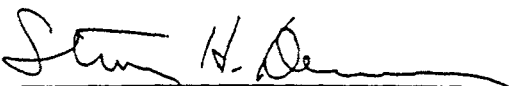
Accepted on behalf of
PEOPLES NATURAL GAS COMPANY:

By: 
Daniel R. Klein
Asset Manager
UtiliCorp United, Inc.

Date signed: 8/16/00

Approved as to form:

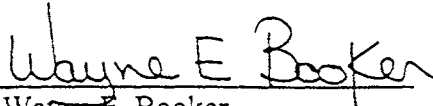
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Accepted on behalf of
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By: 
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Planning/Accounting Manager
Gas Department
Colorado Springs Utilities

Date signed: 8/16/00

Approved as to form:

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CERTIFICATE OF SERVICE

I hereby certify that on this 16th day of August 2000 a true and correct copy of the foregoing **STIPULATION AND SETTLEMENT AGREEMENT** was placed in the United States mail, first class postage prepaid, addressed to the following:

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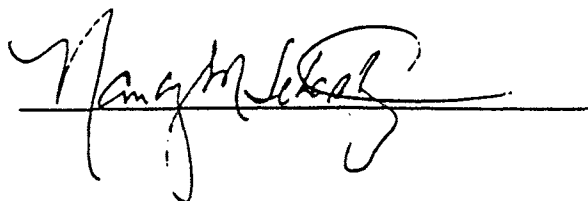
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A handwritten signature in black ink, appearing to read "Nancy M. Seab", is written over a horizontal line.