

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO**

DOCKET NO. 03L-002G

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IN THE MATTER OF THE APPLICATION OF COLORADO NATURAL GAS, INC. FOR AN ORDER AUTHORIZING IT TO EFFECT CERTAIN REVISIONS IN GAS RATES FOR ITS CRIPPLE CREEK DIVISION UPON LESS THAN STATUTORY NOTICE.

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**COMMISSION ORDER AUTHORIZING  
UPWARD REVISIONS OF GAS RATES**

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Mailed Date: January 16, 2003

Adopted Date: January 15, 2003

**I. BY THE COMMISSION:**

**A. Statements**

1. On January 6, 2003, Colorado Natural Gas, Inc. (Applicant or CNG), filed a verified application. Applicant seeks a Commission order authorizing it, without formal hearing and on less-than-statutory notice, to place into effect on January 20, 2003, tariffs resulting in an increase to its existing natural gas rates now on file with the Commission.

2. On January 10, 2003, Applicant filed an amended application to make some small administrative changes. On January 13, 2003, Applicant filed to remove certain erroneous exhibits inadvertently attached to the amended application.

3. The proposed tariffs are attached to the application and affect Applicant's customers in, and in the vicinity of, Cripple Creek, Colorado.

4. This application for authority to increase rates is made under § 40-3-104(2), C.R.S., and Rule 41.5 of the Commission's Rules of Practice and Procedure, 4 *Code of Colorado Regulations* (CCR) 723-1.

**B. Findings of Fact and Conclusions**

5. Applicant is an operating public utility subject to the jurisdiction of this Commission and is engaged in the distribution and resale of natural gas for domestic, mechanical, or public uses in and around communities of Bailey and Cripple Creek.

6. Applicant has not begun service in the Colorado City and Rye Division and has not secured gas purchase contracts for that area.

7. Applicant's natural gas requirements for both Bailey and Cripple Creek service areas are met through firm gas sales agreements. Supplies needed to serve CNG's Bailey service area are transported for delivery to CNG's system via Public Service Company of Colorado's system (PSCo). Supplies needed to serve CNG's Cripple Creek service area are transported for delivery to CNG's system via Peoples Natural Gas Company (Peoples). Pipeline delivery services provided by PSCo and Peoples are subject to the jurisdiction of this Commission.

8. The Commission expects Applicant to negotiate the lowest price for supplies of natural gas that are consistent with the provisions of the Natural Gas Policy Act of 1978, 15 U.S.C. §§ 3301-3432 (Public Law 95-621) and applicable federal regulations or determinations made under applicable federal regulations.

9. The Commission's Gas Cost Adjustment Rules require that CNG revise its gas cost adjustment (GCA) rates to be effective on November 1 of each year. *See* 4 CCR 723-8-2.2.

Rule 4 CCR 723-8-4.2 provides, in pertinent part, that if the projected gas costs, such as the cost of gas commodity or Upstream Services, changes from those used to calculate the currently effective Current Gas Cost, or if the utility's Deferred Gas Cost balance increases or decreases sufficiently, the utility may file an application to revise its currently effective GCA to reflect such changes, provided that the resulting change to the GCA equates to at least one cent (\$0.01) per Mcf or Dth. The recent increases in gas transportation costs for the Cripple Creek Division necessitate the instant interim GCA filing.

10. The purpose of the requested upward revision of Applicant's gas rates is to reflect an increase in the level of upstream pipeline costs charged Applicant based on rates to be in effect January 20, 2003, applied to normalized purchase and sales volumes during the test period. Applicant has changed from purchasing Colorado Interstate Gas Company (CIG) transportation as a component of the gas commodity cost, to a position in which Applicant owns its own capacity on the CIG system. The previous method resulted in significantly lower costs due to the more favorable load factors available from being bundled with other transport customers, but that method had the drawback that Applicant did not control capacity in its own name to meet the peak day requirements of the Cripple Creek system.

11. The effect of the revisions is an increase of \$89,388 to Applicant's customers in the Cripple Creek Division.

12. The proposed tariffs, attached as Appendix A, will increase annual revenues by \$89,388, which is an increase of 1.52 percent systemwide or 6.07 percent for the Cripple Creek Division.

13. Applicant's last authorized rate of return on rate base was 12.00 percent and its last authorized rate of return on equity was 15.00 percent. If this increase is approved, Applicant's rate of return on rate base will be 8.10 percent and its rate of return on equity will be 4.92 percent. Without the increase Applicant's rate of return on rate base would be 7.99 percent and its rate of return on equity would be negative 3.86 percent.

14. The filing of this application was brought to the attention of Applicant's affected customers by publication in *The Denver Post*, a newspaper of general circulation in the areas affected.

15. The proposed increase in rates will substantially recover only Applicant's increased cost of gas.

16. Good cause exists for the Commission to allow the proposed increases on less-than-statutory notice.

## **II. ORDER**

### **A. The Commission Orders That:**

1. The application, as amended, filed by Colorado Natural Gas, Inc., for authority to change tariffs on less-than-statutory notice is granted.

2. Colorado Natural Gas, Inc., is authorized to file on not less than one day's notice the tariffs attached as Appendix A and made a part of this Order. These tariffs shall be effective for actual gas sales on or after their effective date of January 20, 2003.

3. This Order is effective on its Mailed Date.

**B. ADOPTED IN COMMISSIONERS' WEEKLY MEETING  
January 15, 2003.**

(S E A L)



**ATTEST: A TRUE COPY**

**Bruce N. Smith  
Director**

THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF COLORADO

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**JIM DYER**

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Commissioners

CHAIRMAN RAYMOND L. GIFFORD  
ABSENT.

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