EXHIBIT 1

C03-1301

KINDER MORGAN INC

October 15, 2003

Mr. Bruce N. Smith, Director
The Public Utilities Commission
Of the State of Colorado
Office Level 2
1580 Logan Street
Denver, CO 80203

RE: Advice Letter No. 202

Dear Mr. Smith:

In compliance with the requirements of the Public Utility Law of Colorado, Kinder Morgan, Inc. (KMI) hereby submits for filing with the Commission, as part of its Colorado Gas Tariff No. 6, the following tariff sheets to be effective December 1, 2003:

Colorado Gas Tariff No. 6

Second Revised Sheet No. 38A
First Revised Sheet No. 38B
Third Revised Sheet No. 39B
First Revised Sheet No. 39B.2
First Revised Sheet No. 44
First Revised Sheet No. 45
Original Sheet No. 45A
Original Sheet No. 45B
Original Sheet No. 45C
First Revised Sheet No. 46
First Revised Sheet No. 47

THE PUBLIC UTILITIES COMMISSION
FILED
OCT 15 2003
BY
STATE OF COLORADO

Enclosed are the following:

a. This Advice Letter (original and 10 copies),
b. A Form of Notice,
c. Final version of proposed tariff sheet changes, and
d. Marked version of proposed tariff sheet changes (original and 3 copies).

Statement of Nature, Basis and Reason

Introduction

KMI is submitting this filing to add new tariff provisions, "WinterGuard Billing Option" on tariff sheet nos. 45 through 45C of its Colorado Gas Tariff No. 6, which pertains to KMI's customers located in its North Eastern, North Central, and Western Slope rate areas. Specifically, KMI is proposing to add provisions to offer a fixed billing option to all qualified customers, as defined on tariff sheet no. 45B. In Docket No. 01I-046G, Investigation of Gas Pricing by Regulated Natural Gas Utilities, the Commission solicited comments relating to natural gas price volatility and possible options to provide greater rate stability and predictability for customers. KMI's purpose for offering this billing option is to give all qualified customers the option of receiving a guaranteed, predetermined annual bill for natural gas service, regardless of weather or changes in natural gas prices, spread over twelve equal monthly payments. KMI proposes that the tariff sheets accompanying this advice letter become effective December 1, 2003. Contemporaneous with the filing of this Advice Letter No. 202, KMI is also submitting a like filing that pertains to its customers located in its Southern Colorado Arkansas Valley and Western Slope rate areas receiving natural gas service under Colorado Gas Tariff No. 11.

The WinterGuard Billing Option will allow all qualified customers who voluntarily choose this billing option the convenience of paying the same fixed amount for 12 consecutive months regardless of the price of natural gas or weather changes. This billing option will provide an alternative to eliminate the volatility often prevalent in energy bills and thus provide stability, budget certainty, convenience, and protection from price and usage spikes to customers who choose this billing option. The fixed amount resulting from this billing option will include the currently effective distribution rate for gas delivery, including the applicable monthly Customer Charge, surcharges and riders, the commodity gas cost price that will be fixed by the Company prior to the time of the Customer's enrollment, a program fee no lower than five percent (5%) and no greater than ten percent (10%) of the Customer's total annual bill, which fee will be established prior to each program year by the Company, applicable sales taxes and franchise fees. The amount will not include any non-natural gas utility service related charges.

Because of the fact that the natural gas requirements will be purchased at a fixed price subject to the Company's hedging policy and an assumption that normal weather will occur during the period, customers enrolling in this billing option could pay more or less than customers on the standard tariff whose bills fluctuate depending upon usage and gas cost adjustments. Each customer's billing amount for the WinterGuard Billing Option will be determined on an individual basis, reflecting individual natural gas usage. This billing option amount will normally not be adjusted during the 12 month period, and there will be no end of the period true-up payments, credits, or balances carried forward to the next program year. The fixed bill amount will not change for the entire twelve month period due to any changes that occur in natural gas market prices or in weather conditions that affect gas usage.

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<u>WinterGuard Billing Option Program Specifics</u>

KMI is proposing that the WinterGuard billing option be available for a trial period of two consecutive program years, beginning April 1, 2004 and ending March 31, 2006, unless KMI applies for and the Commission approves a continuation of the option. Customers who qualify and select this option will receive firm natural gas sales and delivery service for a 12-month period from April 1 through March 31 of each year. Customers will qualify by having monthly natural gas usage that is sensitive to weather variations at their service address and by consuming an amount of natural gas less than 2,000 ccfs per year. This option will be offered to all qualified customers who are eligible for service under Rate Schedules GGS-1, GGS-2, E-1, D-1R, and D-1C at the customer's current premises.

A customer's initial election to enroll in this billing option will be made each year for a one year term by: 1) signing and returning a direct mail enrollment form, 2) enrolling by telephone, or 3) enrolling through an Internet web site. These three alternative methods of selection will be provided to maximize customer convenience and participation. Customer education will be an important part of the selection process. The amount of time that it will take to educate all customers is the main reason that KMI is requesting an effective date of December 1, 2003. The 12 month WinterGuard program year is proposed to start on April 1, 2004. The months leading up to the April 1 date will be used to develop educational materials and provide program information that will help to educate KMI's Colorado customers about the WinterGuard Billing Option and how it works. Exhibit 1 shows an example of some of the educational material that is being prepared to help customers make an informed decision.

The monthly WinterGuard Billing Option amount for a customer will be an individually calculated fixed bill amount based upon that customer's unique annual historic consumption of natural gas normalized for actual weather variances. The total annual fixed bill calculation amount will then be divided by twelve for billing purposes and will remain fixed for twelve consecutive monthly billing periods. To provide a fixed and guaranteed amount for each qualified customer, KMI will normalize each customer's individual natural gas usage for each of the twelve months of the program. An example of this normalization procedure is shown in Exhibit 2. Each customer's load variability (also known as "swing") will then be estimated by using a linear regression line which plots aggregated customer volumes over multiple years with coincidental temperature. An example of this linear regression line is shown in Exhibit 3. An example of the corresponding swing calculation is shown in Exhibit 4.

KMI intends to limit its financial risk associated with offering the WinterGuard Billing Option by entering into several financial derivative transactions. Aggregated normalized usage will be hedged for each of the twelve months of the program year using a combination of natural gas futures and basis swaps which correspond with pipeline receipt points where natural gas supplies are purchased to serve these customers. Above-normal usage associated with colder-than-normal weather will be hedged by purchasing financial call options for each of the twelve months of the program year. Below-normal usage associated with warmer-than-normal weather will be hedged by purchasing financial put options for each of the twelve months of the program year. Calls and puts will be purchased in a volumetric amount that is one standard deviation above and below normal usage, respectively, where a standard deviation represents the middle 68% of events under a normalized probability table. The underlying index for both the calls and puts will correspond to pipeline receipt points where natural gas supplies are purchased to serve these customers. KMI will assume all risk associated with temperature events outside one standard deviation for any WinterGuard Billing Option customer.

A qualified customer can be removed without financial recourse against KMI from the WinterGuard Billing Option for the following reasons: (1) the customer has significantly altered customary natural gas usage patterns; (2) a change in any statute, regulation or a decision or Order of a court, agency or other jurisdictional entity that prevents the completion of the twelve month billing period; (3) customer is no longer receiving service from KMI at the original premises, either because the customer has moved from the original premises or has discontinued natural gas service at the original premises; or (4) service is discontinued to the customer for non-payment. Customers enrolling in this option agree to act in good faith to maintain their customary natural gas usage patterns. Failure to do so will be considered an act of default under the terms of this Billing Option. Examples that could change historic natural gas usage include an increase in furnace and/or water heater settings, increases in customer living space or addition of new gas appliances. If a customer's cumulative consumption increases by more than 15% at any time during the program year from the historic profile for any reason, other than the impact of weather, KMI will have the right to remove the customer from this option and the customer may be billed for such natural gas usage that exceeds 15% of the customer's cumulative consumption from the historic profile. In all cases, customers will be removed only after notification and will be given an opportunity to remedy the default.

If the customer's WinterGuard Billing Option agreement terminates for any of the reasons listed above, or if a customer requests cancellation prior to the end of the one year program term, the customer will be subject to a $50.00 cancellation fee to cover administrative costs. Customers will also be responsible for payment of service billed to the date of cancellation under this billing option. For customers that discontinue or transfer their natural gas service, the customer will be responsible for the payment of actual days of service under this option.

WinterGuard Billing Option Proposed Tariff Provisions

KMI proposes adding the following tariff provisions for the WinterGuard Billing Option:

Section (a) is entitled Availability. This section describes the time period that KMI proposes that this option be available, which customers are eligible, and what the Company will need to establish on an annual basis. Enrollment for this billing option will be open to qualified customers for a limited time prior to the program term year. The Company will annually establish: (1) an expected enrollment level, (2) the program fee and (3) a time limit for customers to enroll in this billing option.

Section (b) is entitled Applicability and Character of WinterGuard Billing Option. This section describes the annual timeframe for this billing option, the customer's initial election process, and various terms and conditions applicable to this billing option. The contract term can be automatically extended year-to-year with at least thirty days notice to affected customers. Each annual automatic extension will be deemed to be a new program year term and may reflect an updated fixed bill amount to reflect any change in natural gas usage and/or cost of gas. In the event this billing option is terminated, customers will automatically return to the standard billing option under the rate schedule in which they are eligible to receive gas sales service.

Section (c) is entitled Rates and Charges. This section describes the billing option computation process, the cost components, and explains that the calculated monthly total amount will be shown on the customer's bill as a lump sum amount. KMI respectfully requests that the Commission grant waiver of Rule 4 (CCR) 723-4-10 to allow for this bill format variation.

Section (d) is entitled Early Termination Provisions. This section describes customer cancellation fees, requirements, responsibilities, and consequences if the customer's

WinterGuard billing option agreement terminates prior to the end of the established contract term.

Section (e) is entitled Definitions and Conditions. This section defines a qualified customer, describes the Company's rights to terminate the billing option, the Company's conditions under which a qualified customer can be removed from this billing option without financial recourse against the Company, and the Company's possible additional financial recourse action against a customer. The Company retains the right to terminate the WinterGuard Billing Option and return customers to their otherwise applicable billing options and rate schedules during or at the conclusion of the term due to a change in an applicable Colorado statute or Colorado Public Utility Commission order, policy or regulation that adversely impacts this program. If this billing option is terminated by the Company for the reasons stated, the customer will not be charged the cancellation fee.

Section (f) is entitled Rules and Regulations. This section states that as a condition of the WinterGuard Billing Option, the customer agrees to abide by, and is obligated to comply with, the Company's Sales Rate Schedules and General Terms and Conditions, as approved by the Colorado Public Utility Commission from time-to-time, to the extent that they are not in conflict with or inconsistent with the specific provisions of this Billing Option.

WinterGuard Projection Methods and Additional Proposals

As stated in Section (a) above, KMI will annually establish an expected enrollment level. This process will include a projection of total natural gas usage requirements for customers expected to use this billing option. Enrollment estimates will be based on the historic information for which similar fixed bill options have been offered in other KMI jurisdictions during the past five years. Total usage requirements for this expected enrollment level will then be based on the historic information within the appropriate KMI Colorado rate area. KMI will enter into all necessary financial derivative transactions to lock in a fixed price for aggregated normalized volumes that will include all volumetric swings within one standard deviation.

KMI proposes that any excess gas supply that is acquired and hedged for the WinterGuard program (if applicable), as such excess may be due to a lower initial enrollment in the WinterGuard Billing Option or due to early termination by customers during the program year, will be transferred into the GCA gas supply portfolio at the total purchased cost, including hedging costs. This will result in the GCA gas supply portfolio containing a fixed cost supply purchase, which could also add to the stability of the overall GCA gas supply portfolio. This process will occur on a monthly basis. An example of the pro rata hedge calculation is shown as Exhibit No. 5. In addition, KMI will annually determine and establish, at its sole discretion, the program fee. The program fee will be a non-regulated ("below the line") cost component of the WinterGuard Billing Option program, and will fluctuate each year within a range proscribed by the tariff. The fee will be set at no lower than 5% and no greater than 10% of the Customer's total annual bill, and will be set and published by KMI prior to each program year.

Gas Cost Adjustment (GCA) Tariff Modifications

In conjunction with the implementation of the WinterGuard Billing Option, KMI also proposes changes in the Gas Cost Adjustment (GCA) provisions of its Colorado P.U.C. Tariff No. 6. These changes will pertain to both the North Eastern Colorado GCA provisions and the Western Slope & North Central Colorado GCA provisions as listed in section c, paragraph 6 of each area's GCA provisions and are identical. As discussed above, KMI proposes these modifications to its GCA provisions in order to allow for the inclusion of hedged gas supplies and costs in the event that such excess supplies exist as a result of a lower initial enrollment in the WinterGuard Billing Option or due to early termination by customers during the program year. In addition, KMI proposes that the time period described in section c, paragraph 6 be extended for one year to 2006 to allow for consistency with the WinterGuard trial period, which is also proposed to end during 2006. Extension and modification of the allowing provisions of KMI's overall hedging activity will allow for KMI to plan and purchase gas supplies with an element of continued price stability into the future.

<u>Fixed Bill Programs in Other States</u>

KMI has been successfully providing the WinterGuard Billing Option to its gas utility customers in Wyoming and Nebraska for a number of years. Across the country, there are many different variations of this type of program currently in effect. The average subscriber to a fixed bill program is generally a residential customer or a small commercial customer with a predictable, weather-sensitive usage pattern. Utilities are currently offering some variation of a fixed bill program in the states of Kansas, Georgia, Minnesota, Illinois, North Carolina, South Carolina, Wisconsin, Indiana, Florida, Alabama, and Oklahoma.

Last year the Indiana Utility Regulatory Commission approved a program similar to WinterGuard that was offered by Northern Indiana Public Service Company. In its Order of July 3, 2002, in Cause No. 42097, the Indiana commission reasoned as follows:

> Commission finds even though the fixed gas bill service would be offered by a monopoly at a deregulated rate there is no reason to believe that the LDC would be able to collect monopoly profits from the service. It explains that because the fixed gas bill service would be in competition with the rate regulated service of the LDC, the prices charged for the fixed bill service would be influenced by comparison to the rate regulated services.

> Commission finds that inasmuch as the purpose of the fixed gas bill program is not to provide a low-cost product but is instead to provide a convenience, and because the utility likely will incur significant expenses in setting up and running the program, it is reasonable to treat the program expenses and revenues below-the-line so that the utility can reap the benefits or losses of its efforts.

> The Commission does not doubt that there may be customers who have the ability to pay a higher amount for the convenience and certainty of a fixed gas bill, and who have their reasons for doing so. Those reasons could include a desire to avoid unusual price spikes like those experienced in the winter of 2000-2001, or could be as simple as a desire to precisely budget their gas bills. The Commission notes that in the highly competitive

long-distance telephone market, billing options now include flat monthly rates. There is no reason to believe that a similar product wouldn't appeal to purchasers of gas services, and the Commission sees no reason why a fair program should not be approved.

KMI believes such reasoning applies equally to its WinterGuard Billing Option and urges the Commission to hold that it is in the public interest to allow KMI's Colorado customers to have such option.

Service

Notice in the form attached hereto in this filing will be provided to customers in accordance with the Colorado PUC regulations before the tenth day prior to the effective date of the proposed tariff sheets.

Communication

Copies of all orders and pleadings in this docket should be served upon the following individuals:

T. J. Carroll, III
Vice President and General Counsel
Kinder Morgan, Inc.
370 Van Gordon Street
P.O. Box 281304
Lakewood, CO 80228
(303) 763-3269

and

Bentley W. Breland
Vice President, Certificates and Rates
Kinder Morgan, Inc.
370 Van Gordon Street
P.O. Box 281304
Lakewood, CO 80228
(303) 763-3581

Effective Date and Waivers

KMI respectfully requests that the tariff sheets identified in this filing become effective December 1, 2003 and that the Commission grant specific waiver of its regulations as requested above. KMI is unaware of any other specific waivers, but to the extent waivers of any other regulations or requirements are deemed necessary in order for the Commission to accept and place into effect the proposed tariff sheets, KMI requests that such waivers be granted.

Respectfully submitted,

Bentley W. Breland

Bentley W. Breland
Vice President, Certificates and Rates

Rules, Regulations or Extension Policy

Gas Cost Adjustment – North Eastern Colorado – continued

6. For purposes of gas sold by the Company during the period through June 30, 2006, the Current Gas Cost and Deferred Gas Cost as calculated and referred to in this Section (c) may include all prudently incurred costs forecasted or actually incurred and revenues forecasted or actually received by the Company in connection with establishing a price collar with financial derivative instruments, undertaken to limit price volatility with respect to gas purchased for distribution to the Company's Colorado ratepayers. The Current Gas Cost and Deferred Gas Cost as calculated and referred to in this Section (c) may also include all prudently incurred costs from any excess gas supply that is acquired and hedged for the WinterGuard Billing Option program (if applicable) due to a lower initial enrollment in the WinterGuard Billing Option or due to early termination by customers during the WinterGuard program year. Any such gas supplies will be included in the GCA gas supply portfolio at the total purchased cost including hedging costs. These gas supplies will be included in lieu of other gas purchases which may become unnecessary as a result of this program.

For purposes of this Section, a price collar is defined as a range of prices which are intended to provide a net gas cost of not more than a stated maximum and not less than a stated minimum, to be established for specific gas volumes and specific time periods pursuant to the process described herein. A price collar will be established by simultaneously purchasing a financial call option(s) above prevailing market prices and selling a financial put option(s) below prevailing market prices from the same counter-party. Depending on actual market prices of gas for a particular month, for the quantities of gas covered under a financial derivative instrument for such month, a one time financial settlement payment may be received by the Company from trading counter-parties if the market price exceeds an agreed upon ceiling price, or a one time financial settlement payment may be made by the Company to the trading counter-parties if the market price falls below an agreed upon floor price. The receipt or disbursement of such financial payments shall be credited or debited to Account 191 and reflected in the Company's GCA filings. Such activity shall be undertaken for hedging purposes only. All financial transactions shall be tied directly to physical gas purchasing activities. Speculative transactions not tied directly to physical gas purchasing activities shall not be included in GCA filings. The Company shall maintain risk management trading procedures and policies to govern and oversee risk management practices and trading personnel.

The Company will execute financial instruments with qualified counter-parties to establish a price collar using a Request for Quotation ("RFQ") process. Qualified counter-parties will be financial derivative market participants that have passed the Company's creditworthiness requirements.

The Company will limit itself to the specific volumes identified in its RFQ and GPP that can be fixed using collars to that amount set forth in its Gas Purchase Plan. The RFQ will set forth a detailed account of gas volumes, time period, and price objectives sought by the Company. The counter-party(s) most closely meeting the objectives set forth in the RFQ provided by the Company at the most favorable collar price and with no up front transactional costs will be selected for the specified gas volume and time period set forth in the RFQ. The Company will provide the details of the gas volumes and time period subject to the RFQ process in applicable GCA filings, as they are submitted to the Commission. The Company will also provide reasonable details of estimates of its hedging activity in applicable GPP filings.

Once a price collar has been established for specific volumes and for a specific time period, each instrument executed to achieve the price collar will be held from establishment until expiration.

Commission, as they may be in effect from time-to-time.

Rules, Regulations or Extension Policy

Gas Cost Adjustment – North Eastern Colorado – continued

The Company shall maintain records to provide a full accounting for and details of its hedging program for the Commission's review. The Company shall be subject to audit and prudence review of its hedging activities under applicable law and the Rules of the Commission, as they may be in effect from time-to-time.

Gas purchased pursuant to these GCA provisions must be delivered to customers by June 30, 2006 to be eligible for inclusion in the Company's Actual Gas Costs. All gas purchasing and price hedging costs associated with the activities provided for herein, must be recorded in the company's accounting books and records by June 30, 2006. Such costs must be proposed for recovery in the annual Gas Cost Adjustment (GCA) filing to be effective each November 1, through 2006.

This tariff provision shall not apply to any price hedging activity undertaken after June 30, 2006. Gas price risk management costs incurred as a result of activities conducted under the authority of these tariff provisions shall be excluded from the definition of Actual Gas Costs effective July 1, 2006, unless the Commission, by subsequent order, approves the continued inclusion of these costs.

The remainder of this sheet has been left blank intentionally.

Rules, Regulations or Extension Policy

Gas Cost Adjustment – Western Slope & North Central Colorado - continued

2. The resulting projected gas cost will be divided by projected sales (adjusted for deviations from normal and other changes) for the same period.

3. A Gas Cost Adjustment will be determined annually for the twelve months ended August 31 (The Accumulation Period) by determining the difference between the actual cost of gas and the cost of gas actually recovered during the accumulation period. The difference will be the amount over or under-recovered for the accumulation period. This amount, plus any remaining unamortized amount at August 31 relating to prior periods, plus interest, if any, will be amortized over the 12 month period commencing November 1.

4. Rates will be calculated to the nearest tenth mill ($.0001) per thousand cubic feet.

5. The Total Gas Cost Adjustment will be determined using the following formula:

$$\text{Gas Cost Adjustment} = \frac{A}{D} + \frac{B}{D} - C$$

A = Cost of purchased gas as computed in 1. above.

B = Ccf sales as specified in 2. above.

C = Unit Cost of Gas reflected in currently effective rates.

D = Amount as specified in 3 above.

6. For purposes of gas sold by the Company during the period through June 30, 2005, the Current Gas Cost and Deferred Gas Cost as calculated and referred to in this Section (c) may include all prudently incurred costs forecasted or actually incurred and revenues forecasted or actually received by the Company in connection with establishing a price collar with financial derivative instruments, undertaken to limit price volatility with respect to gas purchased for distribution to the Company's Colorado ratepayers. The Current Gas Cost and Deferred Gas Cost as calculated and referred to in this Section (c) may also include all prudently incurred costs from any excess gas supply that is acquired and hedged for the WinterGuard Billing Option program (if applicable) due to a lower initial enrollment in the WinterGuard Billing Option or due to early termination by customers during the WinterGuard program year. Any such gas supplies will be included in the GCA gas supply portfolio at the total purchased cost including hedging costs. These gas supplies will be included in lieu of other gas purchases which may become unnecessary as a result of this program.

Rules, Regulations or Extension Policy

Gas Cost Adjustment – North Eastern Colorado – continued

Gas must be delivered to customers by June 30, 2006 to be eligible for inclusion in Actual Gas Cost. Costs must be recorded in the company's accounting books and records by June 30, 2006. Costs must be recovered in the annual Gas Cost Adjustment (GCA) filing to be effective November 1, 2006.

This tariff provision shall not apply to any hedging activity taken after June 30, 2006. Gas Price Management Costs shall be excluded from the definition of Actual Gas Costs effective November 1, 2006, unless the Commission by subsequent order approves the continued inclusion of these costs.

The remainder of this sheet has been left blank intentionally.

Rules, Regulations or Extension Policy

SALES SERVICE RATE SCHEDULE – continued

5. BILLS, DUPLICATE BILLS, FAILURE TO RECEIVE BILLS.

Upon request, the Company shall advise the Customer of its approximate billing date each month. If a bill is not received or is lost, the Company shall, upon the Customer's request, issue a duplicate. Failure to receive a bill shall not relieve the Customer from making payment as provided for by the applicable tariff, rules and regulations.

6. BILLING OPTIONS

6.1 BUDGET BILLING PLAN.

a. The Budget Billing Plan is an agreement between the Customer and the Company, and is available throughout the year to each Customer receiving natural gas service for domestic and commercial purposes ("eligible Customer"). Such service is not available to large commercial, irrigation, grain drying and industrial Customers. The budget billing contract period or contract year shall be for a 12 consecutive month period starting with the Customer's first Budget Billing month.

b. At the request of an eligible Customer, the Company will prepare an estimated bill for total gas service to be rendered during the yearly contract period. An estimated bill is a bill based on past usage adjusted for normalized weather and projected rates. Each monthly budget bill will be the total estimated yearly gas service cost divided by twelve (12) or part thereof.

c. As a condition precedent to receiving service under the budget billing plan, an eligible Customer must request to be enrolled in the Company's Budget Billing Program. The budget billing plan may be terminated at any time by the Customer for any reason or the Company for any reason listed in d.

d. The eligible Customer shall receive natural gas service through the budget billing plan under the following rules:

i. Each monthly payment becomes delinquent on the date specified on the bill pursuant to Section 6(e). An eligible Customer's failure to pay the monthly budget bill by the date specified shall be cause for termination of the budget billing plan by the Company.

ii. The election to pay for gas service under the budget billing plan in no way modifies or revokes the Company's rules, tariffs or regulations regarding penalties and disconnection for nonpayment of gas bills.

iii. The estimate shall only apply to the premises then occupied by an eligible Customer. If the premises are vacated during the contract period, the budget billing plan shall immediately terminate when the Company becomes aware of the vacancy.

SALES SERVICE RATE SCHEDULE – continued

iv. If the budget billing plan is terminated, any amount payable by or due to an eligible Customer shall be billed or credited to that Customer.

v. Unless terminated by either the Company or an eligible Customer, the budget billing plan will be renewed automatically each year.

vi. The budget billing accounts will be periodically reviewed by the Company. The monthly installment amount may be revised by the Company if it reasonably appears at the time of any review that the debit or credit balance at the end of a budget billing contract period will substantially exceed the estimate. Written notice of such change and the rationale for such change shall be provided to the Customer.

vii. At the end of each contract year, the difference between the accumulated total amount of the Customer's billings, determined by meter usage and the accumulated total of the amounts paid up to and including the final month of the contract period, shall be added to or subtracted from the estimated yearly bill to determine the new yearly estimated bill for gas service or refunded at the Customer's request. The new yearly estimated total bill for gas service to be rendered during a new contract period, divided by twelve (12), will be the new budget amount to be paid each month.

6.2 WINTERGUARD BILLING OPTION.

a. Availability. The WinterGuard Billing Option shall be available for a trial period of two (2) consecutive program years, beginning April 1, 2004 and ending March 31, 2006, unless the Commission by subsequent order approves the continuation of this billing option. This sales service billing option shall be available to Customers who are eligible for service under Rate Schedules GGS-1, GGS-2, E-1, D-1R, and D-1C and who satisfy and voluntarily agree to accept the conditions of the WinterGuard Billing Option contained in the Definitions and Conditions sections of this Tariff. The fixed bill amount quoted to each Qualified Customer electing this billing option shall apply in lieu of the applicable rates and applicable rate adjustments under which the Customer otherwise pays for sales service. The Company will annually establish: (1) an expected enrollment level, (2) the program fee and (3) a time limit for Customers to enroll in this billing option, all of which may be changed at the Company's sole discretion, based upon operational and administrative considerations that may affect its ability to provide the described option. As described in the Definitions and Conditions section of this billing option, the Customers who are eligible to enroll in this option, shall be subject to qualification by the Company.

Rules, Regulations or Extension Policy

SALES SERVICE RATE SCHEDULE – continued

b. Applicability and Character of WinterGuard Billing Option. Customers who qualify and select this option will receive firm natural gas sales and delivery service for a 12-month period from April 1 through March 31 of each year. A Customer's initial election to enroll in this billing option shall be made via the Customer's written signature to a direct mail piece, phone selection system or Internet web site selection provided by the Company. Election to this billing option shall be for a one (1) year term, subject to Customer rescission rights as contained in the WinterGuard Billing Option terms and conditions agreement. The contract term can be automatically extended according to the program terms and conditions year-to-year with at least thirty (30) days notice to affected Customers. Each annual automatic extension shall be deemed to be a new program year term for purposes of this billing option and may reflect an updated fixed bill amount to reflect any change in natural gas usage and/or cost of gas. In the event this billing option is terminated, for any reason, as further described in the definitions and conditions section of this billing option, then Customers shall automatically return to the standard billing option under the rate schedule in which they are eligible to receive gas sales service.

c. Rates and Charges. The monthly WinterGuard Billing Option amount for gas sales service under this option shall be computed as follows: each Qualified Customer accepting the terms of the WinterGuard Billing Option shall pay an individually calculated fixed bill amount based upon that Customer's annual historic consumption of natural gas normalized for actual weather variances. The total annual fixed bill calculation amount will then be divided by twelve (12) for billing purposes and will remain fixed for twelve (12) consecutive monthly billing periods. The components of cost applied to each Customer's annual natural gas usage profile from the Customer's otherwise applicable rate schedule will be: (1) the currently effective distribution rate for gas delivery, including the applicable monthly Customer Charge; (2) surcharges and riders, as applicable; (3) the commodity gas cost price that will be fixed by the Company prior to the time of the Customer's enrollment; (4) a program fee, no lower than five percent (5%) and no greater than ten percent (10%) to be established prior to each program year at the discretion of the Company; and (5) sales taxes and franchise fees. For billing purposes, this calculated monthly total amount will be shown on the Customer's bill as a lump sum amount.

Rules, Regulations or Extension Policy

SALES SERVICE RATE SCHEDULE – continued

d. Early Termination Provisions. In the event the Customer's WinterGuard Billing Option agreement terminates for reasons described in the Definitions and Conditions section of this WinterGuard Billing Option or by a Customer cancellation request, prior to the end of the established contract term, the Customer shall be billed as follows: (1) Customer will be subject to a fifty-dollar ($50.00) cancellation fee to cover administrative costs for any early termination of the WinterGuard Billing Option and (2) Customers who decide to cancel the WinterGuard Billing Option agreement must provide the Company written notice of cancellation. The Customer will be responsible for payment of service billed to the date of cancellation under the WinterGuard program. For Customers that discontinue their natural gas service or transfer their natural gas service to another address, the Customer will be responsible for the payment for actual days of service under the WinterGuard Billing Option based upon the discontinuance or transfer date. The payment amount will be determined by dividing the actual WinterGuard Billing Option days in that month by the total number of days in that month, and then multiplying that amount by the monthly WinterGuard Billing Option amount for that Customer.

e. Definitions and Conditions.

(1) The WinterGuard Billing Option is available:

i. to a Qualified Customer, as defined herein, at the Customer's current premises for the twelve consecutive billing periods following the initiation of this billing option, and

ii. for all natural gas usage during the WinterGuard Billing Option term subject to the conditions described herein.

(2) A Qualified Customer is defined as a Customer that has monthly natural gas usage that is sensitive to weather variations according to the algorithms of the computer model applied to gas usage at his/her residence or service address, consumes an amount of natural gas less than 2,000 ccfs, and qualifies with the other requirements under this billing option.

(3) The Company retains the right to terminate the WinterGuard Billing Option and return Customers to their otherwise applicable billing options and rate schedules during or at the conclusion of the term due to a change in an applicable Colorado statute or Colorado Public Utility Commission order, policy or regulation that adversely impacts this program. If this billing option is terminated by the Company for the reasons stated herein, the Customer will not be charged the cancellation fee.

Rules, Regulations or Extension Policy

SALES SERVICE RATE SCHEDULE – continued

(4) A Qualified Customer can be removed without financial recourse against the Company from the WinterGuard Billing Option under this tariff for the following reasons:

i. Customer has significantly altered customary natural gas usage patterns as further defined herein;

ii. a change in any statute, regulation or a decision or order of a court, agency or other jurisdictional entity that prevents the completion of the twelve (12) month billing period;

iii. Customer is no longer receiving service from the Company at the original premises, either because the Customer has moved from the original premises or has discontinued natural gas service at the original premises; or

iv. service is discontinued to the Customer for non-payment.

(5) Customers enrolling in the WinterGuard Billing Option agree to act in good faith to maintain their customary natural gas usage practices or usage patterns and failure to do so shall be an act of default under the terms of this billing option. Examples of action taken by Customers that could change historic gas usage include, but are not limited to, an increase in furnace and/or water heater settings, increases in Customer living space or addition of new gas appliances. If a Customer's cumulative consumption increases by more than 15% at any time during the program year from his/her historic profile for any reason, other than the impact of weather, the Company has the right, but is not obligated, to remove the Customer from the WinterGuard Billing Option without financial recourse against the Company, and the Customer may be additionally billed for such natural gas usage that exceeds 15% of the Customer's cumulative consumption from his/her historic profile. In all cases, Customers will be removed only after notification and will be given an opportunity to remedy the default.

f. Rules and Regulations. As a condition of the WinterGuard Billing Option hereunder, the Customer agrees to abide by, and is obligated to comply with, the Company's Sales Rate Schedules and General Terms and Conditions, as approved by the Colorado Public Utility Commission from time-to-time, to the extent that they are not in conflict with or inconsistent with the specific provisions of this billing option.

Rules, Regulations or Extension Policy

SALES SERVICE RATE SCHEDULE - continued

7. BILLING AND PAYMENT.

a. Billing Period. Bills will be rendered monthly at the rates shown in the Company's filed rate schedules and shall be due and payable on the bill due date. The bill due date shall be no earlier than ten (10) days subsequent to the mailing or delivery of the bill.

b. Customer Read Meters. Pursuant to an agreement with the Customer, if the regular meter reading is not possible, the Company may request the Customer to read the gas meter at regular intervals approximating a billing period. Each request for a reading by the Customer shall be on a printed form provided by the Company. The form shall contain instructions as to the method of reading the meter. Meter readings may be called in or mailed in using the prepaid postage card. Meter readings by the Customer shall be construed as an estimated bill, which may be used for billing purposes, but such readings shall not be considered final. To verify estimated Customer meter reading billings, the Customer's meter may be read periodically by the Company.

c. Customer Billing.

i. Contents of Bill.

(1) Among other information, the Customer's bill will show the meter reading at the beginning and the end of the period for which the billing is rendered; thermal billing data, if applicable, the date of the last reading; the date of the bill; the volume of gas supplied; the amount of franchise or similar taxes, sales tax and tax total due; the amount of any additional charges which are past due, collection, connection, or disconnection charges, installment payments, and other utility charges authorized by any tariff or rule; and the net amount of bill. Bills to transportation service Customers also will show (1) the Company's non-gas costs, on a per unit basis, if practicable, and in total, billed to the Customer for the billing period; (2) the Company's gas costs, on a per unit basis if practicable and in total, billed to the Customer for the billing period; and (3) and sufficient information to allow the Customer to derive any per unit rates that were not shown on the bill. Bills to sales service Customers also will show (1) the Company's non-gas costs, on a per unit basis if practicable and in total, billed to the Customer for the billing period; (2) the Company's gas commodity costs (including the component of the GCA that recovers prior over- or under-recoveries of GCA costs), on a per unit basis if practicable and in total, billed to the Customer for the billing period; (3) the Company's upstream services costs, on a per unit basis if practicable and in total, billed to the Customer for the billing period; and (4) and sufficient information to allow the Customer to derive any per unit rates that were not shown on the bill. If the payment is being made pursuant to the Budget Billing Plan (Section 6), the bill will indicate the accumulated total of actual amounts paid to date as compared to the accumulated total Customer billings determined by the meter usage.

Rules, Regulations or Extension Policy

SALES SERVICE RATE SCHEDULE - continued

(2) The Company may include on the bill for utility services other charges for special services. Special services are those not authorized by tariff or otherwise specifically regulated by the Commission, including but not limited to, the sale of merchandise, installation or services performed in connection with merchandising and other non-regulated services. Charges for special services shall be indicated separately from charges for utility service. If a section of the bill includes a charge for a special service, that section shall indicate to the Customer that the failure to pay the charge for the special service is insufficient grounds for terminating utility service. If the Customer make a partial payment on the bill, the Company shall credit payment first to special utility charges, (non-sufficient fund check charge, as assessed by the bank, and non-sufficient fund check amount), then to the balance outstanding for previous utility service, then to current utility service, then to additional utility charges (insufficient funds check charge), unless otherwise directed by the Customer.

ii. Estimated Bills.

(1) The Company may estimate the Customer's consumption for a billing period, and bill accordingly, under estimating procedures allowed by rules, regulations and tariffs as necessary. Billings based on estimated usage may be issued including, but not limited to, extreme weather conditions, emergencies, work stoppages, equipment failure, or other circumstances beyond the Company's control which prevent actual meter readings; when the Company is unable to reasonably obtain access to the Customer's premises for reading of the meter after unsuccessful efforts to obtain the Customer reading of the meter such as by mail or by leaving a pre-addressed form which the Customer may use to note the reading; when the Customer does not furnish a meter reading as requested by the Company; or when Section 12, Inaccuracy of Registration and Meter Failure, is applicable.