

Decision No. C04-0193

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

DOCKET NO. 04L-064G

IN THE MATTER OF THE APPLICATION OF ATMOS ENERGY CORPORATION FOR AN
ORDER AUTHORIZING IT TO EFFECT CERTAIN REVISIONS IN GAS RATES UPON
LESS THAN STATUTORY NOTICE.

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

Mailed Date: February 25, 2004
Adopted Date: February 25, 2004

I. BY THE COMMISSION

A. Statement

1. On February 13, 2004, Atmos Energy Corporation (Applicant) 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 March 1, 2004, tariffs resulting in an increase to its existing natural gas rates now on file with the Commission.

2. The proposed tariffs are attached to the application, and affect Applicant's customers in the towns and communities in the following areas in the State of Colorado: Canon City, Florence, Penrose, Portland and contiguous areas in Fremont County, Eads, Holly, Lamar, Springfield and adjacent towns and communities (Southeast Colorado Division); various towns and communities in Weld County (Northeast Colorado); Salida, Poncha Springs, Nathrop, Crested Butte, Mt. Crested Butte, Gunnison and surrounding areas; the cities and surrounding areas of Craig, Meeker, Steamboat Springs, Hayden and Milner (Northwest/Central Colorado Division); and Cortez, Dolores, Mancos, Dove Creek, Cahone, Egnar, Durango, and surrounding areas (Southwest Colorado Division).

3. This application for authority to increase rates is made under § 40-3-104(2), C.R.S., and Rule 41(e)(1), *Commission's Rules of Practice and Procedure, 4 Code of Colorado Regulations* (CCR) 723-1.

B. Findings of Fact and Conclusions

~~1.4.~~ Applicant is an operating public utility subject to the jurisdiction of this Commission and is engaged in the purchase, gathering, transportation, distribution, and resale of natural gas for domestic, mechanical, or public uses in various certificated areas within the State of Colorado.

~~2.5.~~ Applicant's natural gas requirements are obtained from a mix of sources. Each of the divisions is connected to a pipeline supplier for delivery of its gas requirements through purchases or transport. Southeast Colorado Division is connected to Colorado Interstate Gas Company. Southwest Colorado Division is connected to Northwest Pipeline Corporation. Northwest/Central Colorado Division is connected to Questar Pipeline. These pipelines are natural gas companies under the provisions of the Natural Gas Act, as amended, and the rates and charges incident to the provision of the various pipeline delivery services to Applicant are subject to the jurisdiction of the Federal Energy Regulatory Commission. The Northeast and Northwest/Central Colorado Divisions are connected to Public Service Company of Colorado. Public Service Company of Colorado is an intrastate gas transmission company subject to the jurisdiction of this Commission. In addition to the pipeline supplies, all of the divisions are supplied by local gas supplies purchased from producers in the area.

~~3.6.~~ The Commission expects Applicant to negotiate the lowest prices for supplies of natural gas that are consistent with the provisions of the Natural Gas Policy Act of 1978, 15 U.S.C.

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§§ 3301-3432 (Public Law 95-621), and applicable federal regulations or determinations made under applicable federal regulations.

7. The Commission's Gas Cost Adjustment (GCA) Rules require that Applicant revise its 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, change 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 prices and gas price forecasts necessitate the instant interim GCA filing.

~~5.8.~~ The purpose of the upward revision of Applicant's gas rates is to reflect an increase in the level of natural gas costs charged Applicant based on rates to be in effect March 1, 2004, applied to normalized purchase and sales volumes during the test period, and to adjust for previous over- or under- collections of purchase gas costs as of January 31, 2004.

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~~6.9.~~ The effect of the revisions is an annualized increase of \$9,262,111 to Applicant's customers in Colorado. Specifically, the effect of the revisions is an increase of \$5,575,491 to customers in the Northeast Colorado Division; an increase of \$1,226,187 to customers in the Northwest/Central Colorado Division; an increase of \$1,746,240 to customers in the Southeast Colorado Division; and an increase of \$714,193 to Applicant's customers in the Southwest Colorado Division.

~~7.10.~~ The proposed tariffs, attached as Appendix A, will increase total annual revenues by \$9,262,111, which is an increase of 9.05 percent.

8.11. Applicant anticipates that the adjustment in the GCAs requested here will bring future gas cost recovery amounts more closely in line with the predicted future price of gas.

9.12. For the test period covered by this filing (12 months ending June 30, 2003), Applicant's last authorized rate of return on rate base was 10.67 percent and its last authorized rate of return on equity was 11.25 percent. Without the GCA rate revision to pass on increased gas cost, Applicant's rate of return on rate base would be 3.72 percent and its rate of return on equity would be (.02) percent. If this increase is approved, Applicant's rate of return on rate base will be 11.41 percent and its rate of return on equity will be 15.34 percent. Although Applicant is not allowed to earn a return on any GCA costs, Applicant has shown good cause for expedited passthrough of increases in GCA costs in light of the significant impact of these costs on its financial integrity. The re-statements of rate of return in this application shall not be construed to be approval or endorsement by the Commission to allow a change in the authorized level of returns. By approving this application, the Commission has not taken any position on the over-earning situation of the Applicant.

10.13. Applicant shall arrange for notice of publication of the proposed rate in conformance with Rule 41(e) of the Commission's Rules of Practice and Procedure, 4 CCR 723-1 within three days after the filing of this application. The filing of this application has been or will be brought to the attention of Applicant's affected customers by publication in *The Daily Record*, Canon City; *Craig Daily Press*, Craig; *The Durango Herald*, Durango; *Greeley Daily Tribune*, Greeley; *Lamar Daily News*, Lamar; *The Gunnison Country Times*, Gunnison; *The Mountain Mail*, Salida; and *Steamboat Pilot*, *Steamboat Today*, Steamboat Springs, newspapers of general circulation in the areas affected.

~~11.14.~~ The proposed increase in rates will substantially recover only Applicant's increased cost of gas.

~~12.15.~~ Good cause exists for the Commission to allow the proposed increases to become effective on less-than-statutory notice.

II. ORDER

A. The Commission Orders That:

1. The application filed by Atmos Energy Corporation for authority to change tariffs on less-than-statutory notice is granted.
2. Atmos Energy Corporation 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 March 1, 2004.
3. This Order is effective on its Mailed Date.

**B. ADOPTED IN COMMISSIONERS' WEEKLY MEETING
February 25, 2004.**

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

Commissioners

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