

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

DOCKET NO. 04A-417SG

IN THE MATTER OF THE APPLICATION OF COLORADO NATURAL GAS, INC. FOR AN ORDER AUTHORIZING COLORADO NATURAL GAS, INC. TO ISSUE SECURITIES IN THE FORM OF A NOTE OR OTHER NOTES ASSOCIATED WITH BORROWINGS IN AN AGGREGATE AMOUNT NOT TO EXCEED \$650,000 AND AUTHORIZING THE CREATION OF LIENS ON CERTAIN OF ITS PROPERTY SITUATED IN COLORADO AS A RESULT OF SAID BORROWINGS.

**ORDER OF THE COMMISSION
GRANTING APPLICATION**

Mailed Date: August 25, 2004
Adopted Date: August 25, 2004

I. BY THE COMMISSION

A. Procedure and Record

1. Colorado Natural Gas, Inc. (CNG or the Company), a Colorado corporation, filed with the Colorado Public Utilities Commission (Commission) on August 9, 2004, a Verified Application, along with exhibits required under Rule 56 of the Commission's Rules of Practice and Procedure, 4 *Code of Colorado Regulations* (CCR) 723-1 (collectively, the Application). The Application seeks an Order from this Commission authorizing CNG to issue securities in the form of a Note or Notes associated with borrowings in an aggregate amount not to exceed \$650,000 and authorizing the creation of liens on certain portions of its property situated in Colorado as a result of these borrowings.

2. Notice of this Application was issued by the Commission on August 11, 2004, allowing entities until August 23, 2004 to intervene or participate as a party in this proceeding

and setting this matter for hearing on August 27, 2004. In addition, the Company published a notice of the Application in the legal notices of *The Denver Post* on Wednesday, August 11, 2004. An Affidavit of Publication issued by *The Denver Newspaper Agency* was filed with the Commission on August 17, 2004, and reflects that *The Denver Post* is a newspaper of general circulation under Rule 4(b)(1) of the Commission's Rules of Practice and Procedure, 4 CCR 723-1.

3. No petitions to intervene were filed in opposition to the Application, therefore the Commission has the authority to determine the Application under its modified procedure as a non-contested and unopposed matter in accordance with § 40-6-109(5), C.R.S., and Rule 24 of this Commission's Rules of Practice and Procedure, 4 CCR 723-1.

II. FINDINGS OF FACT

4. CNG is a Colorado corporation. Its Articles of Incorporation have been filed with this Commission and it is in good standing with the Colorado Secretary of State. The Company provides gas utility service to various areas in the State of Colorado. The Application has been filed in accordance with § 40-1-104, C.R.S., which requires a public utility to obtain the approval of this Commission before it issues securities such as Common Stock or assumes debt.

5. At the date of the Application, the Company had 15,000,000 shares of Common Stock authorized and 5,000 shares of Preferred Stock authorized. As of March 31, 2004, the Company had 1,424,663 shares of Common Stock outstanding. There are currently no shares of Preferred Stock outstanding.

6. The Company has paid \$209,553 in Preferred Stock dividends during the 12 months ended March 31, 2004. Of this amount, \$186,299 was paid in cash and \$23,254 was paid in Common Stock.

7. The purpose of the Application is to obtain an order authorizing CNG to issue securities in the form of a Note or Notes associated with borrowings in an aggregate amount not to exceed \$650,000 and authorizing the creation of liens on certain portions of its property situated in Colorado as a result of the borrowings.

8. The proceeds from such borrowings are planned to be used primarily to finance the purchase of certain real property located in Teller County, Colorado; for the construction of a building and related improvements on such real property; and for the construction of a building and related improvements on real property already owned by CNG in Gilpin County, Colorado.

9. The borrowing and the creation of liens on CNG's property associated with such borrowing for which authorization from the Commission is requested does not require registration with the Securities and Exchange Commission.

10. At a meeting of the Company's Board of Directors on August 5, 2004, the Board of Directors authorized, among other matters, its proper officers to execute and file the Application.

11. The Application contains all of the information required under Rule 56 of the Commission's Rules of Practice and Procedure, 4 CCR 723-1.

12. The Company and the issuance of debt and equity securities by the Company are subject to the jurisdiction of this Commission in accordance with § 40-1-104, C.R.S.

13. The issuance of securities and creation of liens upon utility property within Colorado, as stated in the Application, will be consistent with the provisions of public utilities law, are for a lawful purpose, and are not inconsistent with the public interest.

14. The Application should be granted and issuance of securities and creation of liens upon utility property referenced therein should be authorized and approved.

III. ORDER

A. The Commission Orders That:

1. The Application of Colorado Natural Gas, Inc., is deemed complete and granted.
2. Colorado Natural Gas, Inc., is hereby authorized to issue securities in the form of a Note or Notes associated with borrowings in an aggregate amount not to exceed \$650,000, as well as to create liens on certain portions of its property situated in Colorado as a result of the borrowings, as described in the Application.
3. Should Colorado Natural Gas, Inc., elect to sell the subject properties and improvements associated with the borrowings authorized in this decision (and more thoroughly detailed in the application) prior to the retirement of the corresponding debt obligation, Colorado Natural Gas, Inc., shall be required to apply any and all proceeds from such sale to the retirement of the specified debt.
4. Nothing contained herein shall be construed to imply any recommendation or guaranty of any obligation with regard to Colorado Natural Gas, Inc.'s securities approved under the Application on the part of the State of Colorado.
5. The August 27, 2004, hearing on this matter is vacated.
6. This Order is effective upon its Mailed Date.

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

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

Commissioners