

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

DOCKET NO. 04L-468G

IN THE MATTER OF THE APPLICATION OF AQUILA INC. D/B/A AQUILA NETWORKS –
PNG 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: September 29, 2004
Adopted Date: September 29, 2004

I. BY THE COMMISSION

A. Statements

1. On September 15, 2003, Aquila Inc., doing business as Aquila Networks – PNG (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 October 1, 2004, tariffs resulting in an increase to its existing natural gas rates on file with the Commission.

2. The proposed tariffs are attached to the application and affect Applicant's customers in, and in the vicinity of, Arriba, Bethune, Black Forest, Burlington, Cascade, Castle Rock, Cheyenne Wells, Chipita Park, Elizabeth, Flagler, Fountain, Franktown, Genoa, Glen Eagle, Green Mountain Falls, Hugo, Joes, Kiowa, Kirk, Limon, Monument, Palmer Lake, Perry Park, Siebert, Stratton, Vona, Widefield, Woodland Park, Woodmoor, and Yuma, Colorado.

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

4. Applicant is an operating public utility subject to the jurisdiction of this Commission and is engaged in, *inter alia*, the purchase, distribution, transportation, and sale of natural gas for domestic, mechanical, or public uses in its Central and Northeast rate areas in the State of Colorado.

5. Applicant obtains its natural gas supply at wholesale for its entire Colorado Service Area from third party spot market suppliers in conjunction with supply made available by Colorado Interstate Gas Company (CIG). All gas supply is transported by CIG.

6. Transportation rates of CIG are regulated by the Federal Energy Regulatory Commission. The Commission has no jurisdiction over the transportation rates of interstate pipeline company CIG and wholesale rates of suppliers, but we expect 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. §§ 3301-3432 (Public Law 95-621) and applicable federal regulations or determinations made under applicable federal regulations.

7. The Commission's Gas Cost Adjustment Rules require that the Applicant revise its gas cost adjustment (GCA) rates to be effective on October 1 of each year. *See* 4 CCR 723-8-2.1. This filing is intended to comply with this requirement.

8. The purpose of the upward revision of Applicant's gas rates is to reflect a change in the level of natural gas pipeline transportation costs and an increase in the estimated spot market rates charged Applicant effective October 1, 2003, and to adjust for previous over-collections of purchase gas costs in the amount of \$1,476,924.

9. The commodity price of gas increases from a current price of \$5.2940/Mcf in Decision No. C03-1096 to be effective October 1, 2003 to a forecasted price of \$5.9869/Mcf. The forecasted price is based on information for October 2004 through September 2005, based on the current NYMEX gas future strip and a basis differential. The forecast also reflects financial hedges for the North Supply region. The upstream pipeline costs will decrease from the current \$1.1022/Mcf to \$1.0996/Mcf.

10. The effect of the revisions is an increase of \$7,811,455 to Applicant's customers in its Colorado certificated areas.

11. The proposed tariffs, attached as Appendix A, will increase total annual revenues by \$7,811,455, which is an increase of 13.26 percent.

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

13. Applicant's last authorized rate of return on rate base was 10.67 percent and its last authorized rate of return on equity was 12.00 percent. If this increase is approved, Applicant's rate of return on rate base will be 7.90 percent and its rate of return on equity will be 6.71 percent. Without the increase, Applicant's rate of return on rate base would be (13.89) percent and its rate of return on equity would be (7.11) percent.

14. The filing of this application was brought to the attention of Applicant's affected customers by publication in *The Denver Post*; *The Burlington Record*; *Daily News Press*, Douglas County; *El Paso County Advertiser and News*, Fountain; *Range Ledger*, Cheyenne Wells; *The Flagler News*; and the *Ute Pass Courier*, newspapers 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 filed by Aquila Inc., doing business as Aquila Networks – PNG, for authority to change tariffs on less-than-statutory notice is granted.

2. Aquila Inc., doing business as Aquila Networks – PNG, 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 October 1, 2004.

3. This Order is effective on its Mailed Date.

**B. ADOPTED IN COMMISSIONERS' WEEKLY MEETING
September 29, 2004.**

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

Commissioners

CHAIRMAN GREGORY E. SOPKIN
ABSENT.