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July 5, 2006 Advice No. 32 - Gas

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Public Utilities Commission of the State of Colorado 1580 Logan Street, OL- 2 Denver, Colorado 80203

PUBLIC UTILITIES COMMISSION STATE OF COLORADO

The accompanying tariff sheets issued by Colorado Natural Gas, Inc. ("CNG") are sent to you for filing in accordance with the requirements of the Public Utilities Law:

## COLORADO P.U.C. NO. 1 -GAS

and the following sheets are attached:

Colorado P.U.C. Sheet No.	Title of Sheet	Cancels Colorado P.U.C. Sheet No
Second Amended Sheet 3 Third Amended Sheet 4 Second Amended Sheet 5 First Amended Sheet 5A First Amended Sheet 5B Second Amended Sheet 6 Fifth Amended Sheet 7 Fifth Amended Sheet 8 Fifth Amended Sheet 9 Eleventh Amended Sheet 9B First Amended Sheet 9C First Amended Sheet 9C First Amended Sheet 9D First Amended Sheet 10 Fifth Amended Sheet 11 Fifth Amended Sheet 12 Thirteenth Amended Sheet 12 Thirteenth Amended Sheet 14 First Amended Sheet 14 First Amended Sheet 15A Second Amended Sheet 15B Fifth Amended Sheet 16 Second Amended Sheet 17	Natural Gas Rates	First Amended Sheet 3 Second Amended Sheet 4 First Amended Sheet 5 Original Sheet 5A Original Sheet 5B First Amended Sheet 6 Fourth Amended Sheet 7 Fourth Amended Sheet 8 Fourth Amended Sheet 9 Tenth Amended Sheet 9A Original Sheet 9B Original Sheet 9C Original Sheet 9D Original Sheet 9E Fourth Amended Sheet 10 Fourth Amended Sheet 11 Fourth Amended Sheet 12 Twelfth Amended Sheet 12 Twelfth Amended Sheet 14 Original Sheet 15A First Amended Sheet 15B Fourth Amended Sheet 16 First Amended Sheet 16

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STATE OF COLORADO

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First Amended Sheet 41B

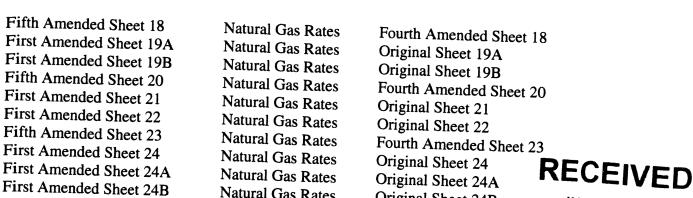
Second Amended Sheet 42

Second Amended Sheet 69

Third Amended Sheet R50

Fifteenth Amended Sheet 75

Fifth Amended Sheet 43



First Amended Sheet 24B

First Amended Sheet 24C

First Amended Sheet 25

Fifth Amended Sheet 26

First Amended Sheet 26

Natural Gas Rates

Natural Gas Rates

Original Sheet 24B

Original Sheet 24C

Original Sheet 24C

Original Sheet 24C

Natural Gas Rates

Fourth Amended Sheet 25

Fourth Amended Sheet 26

First Amended Sheet 27

First Amended Sheet 40

Fifth Amended Sheet 41

Natural Gas Rates

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Fourteenth Amended Sheet 75
Second Amended Sheet R50

The principal proposed changes to the gas rate schedules in CNG's Colorado P.U.C. No. 1 - Gas tariff to become effective August 1, 2006 are: (1) to revise the service & facility charges to retain historical percentage relationships of the total revenue requirement and thereby better match the recovery of the fixed costs associated with its natural gas delivery system with the incurrence of those costs; and (2) to revise the Distribution Charge. The proposed revisions will apply to gas sales service under CNG's Residential Gas Service (Schedules RG-B, RG-CO, RG-C), Commercial Gas Service (Schedules CG-B, CG-CO, CG-C) applicable to service rendered within the Company's Bailey, Conifer and Cripple Creek Divisions.

CNG also proposes to consolidate its three existing service areas into a single service area for purposes of Distribution and Service & Facility charge rate determinations. As a result, if approved, the above-referenced rate schedules will be replaced by rate schedules applicable to the entire system.

CNG is proposing to increase its gas utility base rate revenues by approximately \$2.94 million, or 57 percent, on an annual basis. CNG's proposed base rates are intended to recover 100.00 percent of the annual distribution costs to serve gas customers, based upon revenue requirements of \$8.13 million, as developed based on a test year of the 12 months ending March 31, 2006, as adjusted. The base rates do not include the costs of the gas commodity or upstream pipeline service costs which CNG recovers from customers through its Gas Cost Adjustment. The proposed increase is 20.54 percent over total jurisdictional gas service revenues, including gas costs, of \$9.3 million.

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Contemporaneously filed with this advice letter are testimony and exhibits, which both explain and justify the Company's proposals herein to revise its base rates.

The effect of this filing on the Company's annual base rate gas revenues is an increase of \$2.94 million based on the twelve months ended March 31, 2006, as adjusted. The proposed filing would allow the Company an opportunity to earn a 15.00 percent return on equity and a 9.40 percent overall return on rate base. CNG believes a 15.00 percent return to common equity and a 9.40 percent return on rate base are justified.

Customers of the Company will be affected as shown below. The current average monthly bills include the 2006 Gas Cost Adjustment (GCA) amounts.

## **IMPACT OF NEW RATES**

Rate Schedule	Average Monthly Usage therms	Current Average Monthly Bill	Proposed Average Monthly Bill	Monthly Change	Percent Rate
RG-B	74	142.69			Impact
CG-B	451	824.59	170.80	28.11	19.70
RG-CO		024.59	974.70	150.11	18.20
	71	127.69	163.32		
CG-CO	-		100.02	35.63	27.90
RG-C	(=	•	•	-	-
	65	130.46	155.16	24.70	
CG-C	505	955.84		24.70	18.93
		733.04	1,118.90	163.06	17.06

Notice of this filing will be published in the Denver Post on or about July 7, 2006. Customers of the Company receiving gas service as of the date of this filing will also be notified of this filing by means of an inclusion in the July gas bill, scheduled to be mailed July 27, 2006. A copy of the official notice is attached hereto as Appendix A.

It is requested that the changed tariffs accompanying this advice letter become effective on

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Please send copies of all notices, pleadings, correspondence, and other documents regarding this filing to:

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By:

Tim Johnston, P.E., Chief Operating Officer