

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO**

PROCEEDING NO. 13P-0825G

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IN THE MATTER OF GAS PURCHASE PLANS AND GAS PURCHASE REPORTS FOR  
THE EASTERN COLORADO DIVISION OF CNG FOR THE GAS PURCHASE YEAR  
FROM JULY 1, 2013 THROUGH JUNE 30, 2014

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PROCEEDING NO. 13P-0826G

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IN THE MATTER OF GAS PURCHASE PLANS AND GAS PURCHASE REPORTS FOR  
CNG FOR THE GAS PURCHASE YEAR FROM JULY1, 2013 THROUGH JUNE 30, 2014

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**STIPULATION AND SETTLEMENT AGREEMENT**

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COME NOW Colorado Natural Gas, Inc. and its Eastern Colorado Division (CNG or the Company) and Trial Staff for the Colorado Public Utilities Commission (Staff) (collectively referred to herein as the Settling Parties) and submit this Stipulation and Settlement Agreement (Stipulation) in full resolution of the above referenced proceedings and in support thereof state as follows:

**I. PRELIMINARY STATEMENT**

1. On July 19, 2013, Colorado Natural Gas, Inc., on behalf of its Eastern Colorado Division, filed a Submittal for Determination of Completeness of Gas Purchase Plans (GPP) which commenced Proceeding No. 13P-0825G. Also on July 19, 2013, CNG, on its own behalf, filed its Submittal for Determination of Completeness of GPP for the 2013-14 gas purchase year which commenced Proceeding No. 13P-0826G.

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2. On July 31, 2013, by Minute Order, the Commission deemed both the Eastern Colorado Division and CNG's GPPs complete. Thereafter, on October 1, 2014, CNG and its Eastern Colorado Division both filed their respective Gas Purchase Reports (GPR) for the 2013-14 gas purchase year.

3. On January 15, 2015, by Interim Decision No. C15-0045-I, the Commission commenced a prudence review of both Eastern Colorado and CNG's GPRs for the 2013-14 gas purchase year, designated Trial Staff as a party, established an intervention period and referred the case to an Administrative Law Judge (ALJ).

4. On January 29, 2015, by Decision No. R15-0109-I, the Commission's assigned ALJ consolidated Proceeding Nos. 13P-0825G and 13P-0826G, with Proceeding No. 13P-0825G as the primary proceeding. Pursuant to Decision No. R15-0231-I, a procedural schedule was established under which CNG filed its Direct Testimony and exhibits in support of its 2013-14 Gas Purchase Plan and Gas Purchase Report on March 18, 2015. Staff filed its Answer Testimony and exhibits on May 4, 2015 pursuant to an extension agreed to by the Parties and affirmed by the ALJ. Under the current procedural schedule, CNG's Rebuttal Testimony and exhibits are presently due to be filed with the Commission on May 18, 2015. In lieu of the filing of its rebuttal case, CNG along with Trial Staff now submits the following Stipulation and Settlement Agreement for consideration and approval by the ALJ in full resolution of this proceeding.

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**II. STIPULATION AND SETTLEMENT AGREEMENT**

5. In its testimony concerning CNG's deferred gas cost accounting procedures, Staff requested that those procedures be improved and summarized in one document that is certified by company management through the attested signature of a company officer.

6. CNG agrees to implement the review and certification of deferred gas cost accounting procedures by company management described herein on or before October 1, 2015 and any July 1 thereafter.

7. To the extent that CNG identifies the need to modify deferred gas cost accounting procedures going forward from the initial certification, CNG will confer with Trial Staff to develop revised deferred gas cost accounting procedures for implementation at the start of the next gas purchase year.<sup>1</sup> The Company will not modify its accounting procedures during the pendency of any gas purchase year. The Company will provide Staff with a certified, attested document of the revised deferred gas cost accounting procedures no later than October 1, 2015.

8. Staff's Answer Testimony described its concerns with CNG's use of Federal Energy Regulatory Commission (FERC) Accounting Uniform System of Accounts (USOA) Account No. 191 (Unrecovered Purchase Gas Costs) as a clearing account for handling adjustments to, and recovery for, gas costs. In conjunction with its certified accounting procedures referred to above, CNG agrees to record gas costs in FERC Account 804 (Natural Gas City Gate Purchases) and gas cost recoveries in appropriate revenue accounts. The net difference in gas costs and recoveries each month will be recorded as a net amount to FERC Account No. 805.1 (Purchased Gas Cost Adjustments) and Account 191. CNG agrees that

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<sup>1</sup> The Gas Purchase Year is from July 1 of any year to June 30 of the following year.

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Account No. 191 will contain net values of cost and recovery during each accounting period required by and in accordance with FERC USOA account definitions. Account No. 191 will not contain the gross values for gas costs but rather those values (gross gas cost values) will be reported on the CNG income statement in accordance with FERC USOA account definitions.

9. Staff's testimony described its recommendation that CNG account for each gas purchase year separately per the Account No. 191 definition in the FERC USOA. In response and in consideration of the fact the Company is planning a significant revision of its accounting software in the near future and the Settling Parties seek to minimize the cost impact to the Company of any operating cost modifications brought about by this Stipulation, CNG has agreed at this time to assess a best-practices process to create separate Account No. 191 Deferred Gas Cost Accounts for each gas purchase year and for each gas rate area operated by the Company and report to Staff its assessment. CNG prefers to implement accounting changes as of July 1 so that no major methodology changes occur during a gas purchase year. If analysis of the accounting system configuration and the administrative burden with this change are outweighed by the -benefits, the Company will segregate Gas Cost Adjustment (GCA) recoveries for the current year and one year prior at the implementation of the next possible GPP period.

10. In its Answer Testimony, Staff raised concerns with its difficulty of gauging the Company's performance based on the information included in the Gas Purchase Plan (GPP) and the information contained in the Gas Purchase Report (GPR). Staff's comparison of the GPP with the GPR by Staff identified these issues. CNG agrees to include more detailed narrative discussions in its GPP and GPR, where necessary, which discuss how the Company will attempt to accommodate or did accommodate demand fluctuations and varying operating conditions

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during the Gas Purchase Year.<sup>2</sup> The Settling Parties have agreed that CNG's variance may well be weather dependent because it the Company primarily serves residential customers in its four gas rate areas, but the Company agrees that it will fully describe in detail all the occasions when CNG deviated from the original GPP and the reason for variation, including but not limited to specific information showing the variations due to estimated weather conditions and actual weather conditions by month as well as for any other reason the variance may have occurred. Rate and volume variance analyses between the GPP and GPR will be based upon cost evaluation in overall dollars for each month of the gas purchase year at issue in the GPP and GPR.

**III GENERAL TERMS AND CONDITIONS**

11. Through active investigation and negotiation during the pendency of this consolidated proceeding, the Settling Parties have negotiated agreements as set forth in this Stipulation that resolve the enumerated, contested and disputed issues in this Docket in a manner which the Settling Parties agree is just and reasonable and in the public interest. This Stipulation reflects the compromise and settlement of those disputed issues between CNG and Trial Staff in this Proceeding. The Settling Parties further agree that by reaching an agreement by means of negotiation, stipulation and or settlement, rather than through litigation, is in the public interest and supported by the Commission pursuant to Rules 1407 and 1408 of the Commission's Rules of Practice and Procedure. This Stipulation and Settlement Agreement is intended to comply with the provisions of Rule 1408.

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<sup>2</sup> Staff recognizes and agrees that the Company may wish to file portions of its Gas Purchase Plans and Gas Purchase Reports confidentially pursuant to Commission Rules.

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12. CNG and Trial Staff agree to present, to support and to defend this Stipulation before the Commission and in the Courts. They further agree to support testimony and exhibits in any evidentiary hearing in this docket necessary for the purpose of obtaining the Commission's approval of this Stipulation. In any such hearing, CNG and Trial Staff hereby agree that all pre-filed testimony and the exhibits filed in this proceeding shall be admitted into evidence without cross-examination any witnesses on the issues resolved by this Stipulation. In the event the Commission rejects this Stipulation or the proposed resolution of a certain issue contained within this Stipulation, CNG and Trial Staff agree that either party, as to that issue, may request a hearing on that issue and must file written notice of the issue on which a hearing is requested and a motion requesting a hearing. The written notice and motion must be filed with the Commission within five (5) calendar days of the effective date of the Commission's decision rejecting the Stipulation on the resolution of that certain issue. If the Commission schedules a hearing on the rejected stipulated issues, CNG and Trial Staff agree that they may cross-examine each other's witnesses on the resolution of the issue rejected by the Commission.

13. The Settling Parties agree that approval by the Commission of this Stipulation shall constitute a determination that the Stipulation represents a just, equitable and reasonable resolution of the disputed issues resolved herein.

14. CNG and Trial Staff specifically agree and understand that this Stipulation represents a negotiated settlement that they believe is in the public interest with respect to the various matters and issues enumerated herein for the sole purpose of the settlement of the matters agreed to in this Stipulation. CNG and Trial Staff shall not be deemed to have approved, accepted, agreed to or consented to any concept, theory or principle underlying or supposed to

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underlie any of the matters provided for in this Stipulation other than as specifically provided for herein. Notwithstanding, the resolution of the issues set forth in this Stipulation, none of the methods or principles contained herein shall be deemed by the stipulating parties to constitute a settled practice or precedent in any future proceeding.

15. This Stipulation may be executed by counterparts and by facsimile or electronic copies of signatures all of which, taken together, shall constitute the entire stipulation with respect to the matters set forth herein.

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Colorado Natural Gas, Inc.

*Approved as to Form*




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