

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

PROCEEDING NO. 14L-1010G

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IN THE MATTER OF THE APPLICATION OF COLORADO NATURAL GAS, INC., FOR AN ORDER AUTHORIZING IT AND TO PUT INTO EFFECT CERTAIN GAS RATE ADJUSTMENTS TO ITS GAS COST RECOVERY RATES UPON LESS THAN STATUTORY NOTICE.

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**DECISION AUTHORIZING UPWARD  
REVISIONS OF GAS RATES**

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Mailed Date: October 29, 2014

Adopted Date: October 29, 2014

**I. BY THE COMMISSION**

**A. Statement**

1. On October 9, 2014, Colorado Natural Gas, Inc. (CNG or Applicant), filed a verified application seeking a Commission decision authorizing it, without formal hearing and on less-than-statutory notice, to place into effect on November 1, 2014, tariffs resulting in an increase for all Rate Divisions to its current natural gas rates now on file with the Commission. We find that the application contains all of the information required by the Commission's Rules and is therefore complete.

2. The proposed tariffs are attached to the application and would affect Applicant's customers in, and in the vicinity of, Bailey, Cripple Creek, and Pueblo West, Colorado; and the customers served by the Eastern Colorado Division of CNG.

3. CNG acknowledges that it has read and agrees to abide by the provisions of Rules 4002(b)(IV) through (VI) and Rules 4002(b)(XI)(A) through (C) of the Rules Regulating Gas Utilities and Pipeline Operators, 4 *Code of Colorado Regulations* (CCR) 723-4.

4. This application for authority to increase rates is made pursuant to § 40-3-104(2), C.R.S., and Rule 4109(b)(II), 4 CCR 723-4.

**B. Findings of Fact and Conclusions**

5. Applicant is an operating public utility subject to the jurisdiction of this Commission and it is engaged in the distribution and resale of natural gas for domestic, mechanical, or public uses in and around the communities of Bailey, Cripple Creek, Pueblo West, and Eastern, Colorado.

6. CNG's natural gas requirements for its four separate service areas are met through firm gas sales agreements, and a separate deferred account is maintained for each area. Supplies needed to serve CNG's Bailey area are transported for delivery to CNG's system via Public Service Company of Colorado's (PSCo) system. CNG's Pueblo West service area is supplied by PSCo and Colorado Interstate Gas (CIG). Supplies needed to serve CNG's Cripple Creek Service area are transported for delivery to CNG's system via Black Hills/Colorado Gas Utility Company, LP (BH/CO) and CIG. CNG's natural gas requirement for the Eastern Colorado Division is transported to CNG's system via CIG. Pipeline delivery services provided by PSCo and BH/CO are subject to the jurisdiction of this Commission.

7. The Commission expects Applicant to negotiate the lowest price 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 and applicable federal regulations or determinations made pursuant to applicable federal regulations.

8. The Commission's Gas Cost Adjustment (GCA) Rules at 4 CCR 723-4-4602(a) require that CNG revise its GCA rates to be effective on November 1 of each year. The instant filing is intended to comply with this requirement.

9. The purposes of the upward revision of Applicant's gas rates are: (1) to effectuate an increase in the level of natural gas costs charged to Applicant based on prices to be in effect November 1, 2014, through October 30, 2015, applied to normalized forecasted purchase and sales volumes during the same test period; (2) to reflect costs for upstream pipeline services anticipated to be charged to Applicant by interconnecting pipelines for the same period; and (3) to adjust for previous under or over recovered gas cost balance in Applicant's Deferred Gas Cost Account No. 191 as of June 30, 2014.

10. The revisions amount to an annualized revenue increase of \$2,375,766. The changes are an increase of \$859,118 for Bailey, an increase of \$500,964 for Pueblo West, an increase of \$77,028 for Cripple Creek, and an increase of \$938,656 for Eastern Colorado Division certificated areas, respectively.

11. The proposed tariffs, attached as Appendix A, will increase annual revenues by \$2,375,766, which is an increase of 10.01 percent.

12. Consistent with Rules 4604(a)(I) and 4603(k) through (l), CNG filed Exhibits 10 through 12, Exhibits on Rate Base, Net Operating Earnings, Capital Structure and Cost of Capital, respectively, before and after the proposed change in revenue, with this annual GCA application. The Applicant's last authorized rate of return on rate base was 7.97 percent and its last authorized rate of return on equity was 10.95 percent. If this increase is approved, Applicant's rate of return on rate base will be 7.62 percent and its rate of return on equity will be 11.01 percent. Without the increase, the rate of return on rate base would be 6.28 percent and its

rate of return on equity would be 7.83 percent. Although Applicant is not allowed to earn a return on any GCA costs, Applicant has shown good cause for expedited pass through of increases in GCA costs in light of the significant impact of these costs on its financial integrity.

13. CNG acknowledges its obligation under Rule 4604 to publish notice of the subject filing within three days after the filing of this application. Pursuant to Rule 1206(f)(I), Rules of Practice and Procedure, 4 CCR 723-1, the filing of this application has been or will be brought to the attention of Applicant's affected customers by publication in *The Denver Post*, a newspaper of general circulation in the areas affected.

14. The Commission finds good cause to allow the proposed increase on less-than-statutory notice.

## **II. ORDER**

### **A. The Commission Orders That:**

1. The Application filed by Colorado Natural Gas, Inc. (CNG) on October 9, 2014, for authority to change tariffs on less-than-statutory notice, is deemed complete.

2. The Application filed by CNG for authority to change tariffs on less-than-statutory notice is granted.

3. CNG is authorized to file on not less than one day's notice the tariffs attached as Appendix A and made a part of this Decision. These tariffs shall be effective for actual gas sales on or after their effective date of November 1, 2014.

4. The 20-day time period provided by § 40-6-114, C.R.S., to file an application for rehearing, reargument, or reconsideration shall begin on the first day after the effective date of this Decision.

5. This Decision is effective on its Mailed Date.

**B. ADOPTED IN COMMISSIONERS' WEEKLY MEETING  
October 29, 2014.**

(S E A L)



ATTEST: A TRUE COPY

Doug Dean,  
Director

THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF COLORADO

JOSHUA B. EPEL

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PAMELA J. PATTON

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GLENN A. VAAD

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Commissioners