Decision No. C14-1296

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

PROCEEDING NO. 14L-1025G

IN THE MATTER OF THE APPLICATION OF SOURCEGAS DISTRIBUTION LLC, AUTHORIZING IT TO REVISE ITS GAS COST ADJUSTMENT AND FUEL/LOSS REIMBURSMENT QUANITY TO BE EFFECTIVE NOVEMBER 1, 2014 ON LESS THAN STATUTORY NOTICE.

COMMISSION DECISION AUTHORIZING UPWARD REVISIONS OF GAS RATES

Mailed Date: October 29, 2014
Adopted Date: October 29, 2014

I. BY THE COMMISSION

A. Statements

1. On October 17, 2014, SourceGas Distribution LLC (SourceGas or Applicant), filed a verified application. Applicant seeks a Commission decision authorizing it, on less-than-statutory notice, to place into effect on November 1, 2014, tariffs resulting in an increase to its existing natural gas rates on file with the Commission. The application contains all of the materials required by the Commission's Rules and therefore is deemed complete.

2. SourceGas amended its application on October 23, 2014 to correct typographical errors.

3. The proposed tariffs are attached to the Application and affect the Applicant's customers in its Gas Cost Adjustment (GCA) Rate Areas, namely North Eastern, Western Slope, North Central, Arkansas Valley, and Southwestern. Western Slope and North Central GCA Rate Areas are in SourceGas' Base Rate Area 1. North Eastern, Arkansas Valley, and Southwestern GCA Rate Areas are in SourceGas' Base Rate Area 2.

4. SourceGas 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* 723-4.

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

B. Findings of Fact

6. The Applicant is an operating public utility subject to the jurisdiction of this Commission and is engaged, *inter alia* in the purchase, distribution, transportation, and sale of natural gas for domestic, mechanical, or public uses in various certificated areas within the State of Colorado.

7. The majority of the Applicant's natural gas requirements are purchased from various suppliers and subsequently transported for delivery by various interconnecting pipelines. Pipeline delivery services to customers in the North Eastern GCA Rate Area are provided by Kinder Morgan Interstate Gas Transmission, LLC (Kinder Morgan). Pipeline delivery services to customers in the Arkansas Valley GCA Rate Area are provided by Colorado Interstate Gas Company (CIG). Pipeline delivery services provided by Kinder Morgan and CIG are regulated by the Federal Energy Regulatory Commission (FERC). Pipeline delivery services to the Western Slope GCA Rate Area are provided by Rocky Mountain Natural Gas LLC (Rocky Mountain). Pipeline delivery services to the North Central and Southwestern GCA Rate Areas are provided by Public Service Company of Colorado (PSCo). Pipeline delivery services provided by Rocky Mountain and PSCo are regulated by this Commission.

8. Transportation rates of Kinder Morgan and CIG are regulated by the FERC. This Commission has no jurisdiction over the transportation rates of interstate pipeline companies Kinder Morgan and CIG and wholesale rates of suppliers, but it expects the 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.

9. Rule 4602(a) requires that SourceGas revise its GCA rates to be effective on November 1 of each year. The instant filing is intended to comply with this requirement.

10. The purpose of the upward revision of Applicant's gas rates is to adjust SourceGas' rates for General Resale Natural Gas Service, effective November 1, 2014 in an amount per Mcf sufficient to reflect increases in total projected gas costs and to adjust Base Gas Cost to amortize the deferred gas cost under-recoveries in SourceGas' certificated areas existing as of August 31 2014.

11. In addition, the instant Application requests a waiver of Commission Rule 4604(d) to adjust the accumulation period for the GCA deferred account from September 1, 2013 to August 31, 2014.

12. The proposed tariffs, attached as Appendix A, will increase total annual revenues by $1,665,610, which is an increase of 1.22 percent.

13. 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.

14. The Applicant has Commission approval of a tariff provision that allows SourceGas to use certain financial instruments to produce a price range, or collars, around the current market price of gas. These collars effectively limit the amount of price volatility that can

be experienced for gas purchases subject to the collar by placing upper and lower bounds on the net price payable for gas using puts and calls. There is no up-front transaction fees associated with the purchases of these costless collars, as the premiums for the sales of puts and the purchases of calls approximately offset one another. The Applicant represents that it has implemented in this GCA Application, the risk management tools currently available in the marketplace, as authorized in its tariffs, to reduce the potential for gas price volatility during the upcoming heating season. As part of the Gas Purchase Report, the Applicant should report the transaction costs and provide price comparisons to index, gains, losses, and information on volumes each month for which the gas price volatility risk management tools are used.

15. SourceGas acknowledges its obligation under Rule 4604 to publish notice of the subject filing within three days after the filing of this Application or on the established publication date if the newspaper is a weekly publication. Pursuant to the requirements of Rule 1206(f)(I), Rules of Practice and Procedure, 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.

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

II. ORDER

A. The Commission Orders That:

1. The application filed by SourceGas Distribution LLC (SourceGas) is deemed complete.

2. The amended application filed by SourceGas for authority to change tariffs on less-than-statutory notice is granted.

3. The waiver of Rule 4604(d) of the Rules Regulating Gas Utilities and Pipeline Operators, 4 *Code of Colorado Regulations* 723-4 is granted.

4. SourceGas 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.

5. 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.

6. 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