

(Decision No. C87-503)

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

* * *

IN THE MATTER OF THE APPLICATION)
OF K N ENERGY, INC., FOR RATIFI-)
CATION OF EXERCISE OF FRANCHISES)
AND A CERTIFICATE OF PUBLIC)
CONVENIENCE AND NECESSITY TO)
EXERCISE FRANCHISE RIGHTS IN THE)
CITIES AND TOWNS OF ASPEN, PITKIN)
COUNTY; BASALT, EAGLE COUNTY;)
CARBONDALE, GARFIELD COUNTY;)
CEDAREGE, DELTA COUNTY; COLLBRAN,)
MESA COUNTY; CRAWFORD, DELTA)
COUNTY; DAcono, WELD COUNTY; DOVE)
CREEK, DOLORES COUNTY; FIRESTONE,)
WELD COUNTY; FREDERICK, WELD)
COUNTY; GLENWOOD SPRINGS,)
GARFIELD COUNTY; OLATHE, MONTROSE)
COUNTY; ORCHARD CITY, DELTA)
COUNTY; AND WALDEN, JACKSON)
COUNTY, ALL WITHIN THE STATE OF)
COLORADO, AND FOR THE PURCHASE,)
DISTRIBUTION, AND SALE OF GAS)
EITHER NATURAL, ARTIFICIAL, OR)
MIXED WITHIN THOSE CITIES AND)
TOWNS.

APPLICATION NO. 38343

COMMISSION ORDER

April 15, 1987

STATEMENT

On March 31, 1987, K N Energy, Inc. (K N), filed Application No. 38343 in which it has applied to this Commission for ratification of, and certificates of public convenience and necessity to exercise franchise rights granted and issued to Rocky Mountain Natural Gas Company, Inc. (Rocky Mountain), by the following municipalities: Aspen, Pitkin County; Basalt, Eagle County; Carbondale, Garfield County; Cedaredge, Delta County; Collbran, Mesa County; Crawford, Delta County; Dacono, Weld County; Dove Creek, Dolores County; Firestone, Weld County; Frederick, Weld County; Glenwood Springs, Garfield County; Olathe, Montrose County; Orchard City, Delta County; and Walden, Jackson County, and for the sale of gas either natural, artificial, or mixed within these cities or towns.

Notice of the application was given to all interested persons, firms, or corporations by the Executive Secretary of the Commission on

April 1, 1987. No protests or motions to intervene have been filed with respect to this application, and the matter may be determined without formal oral hearing under the provisions of § 40-6-109(5), C.R.S., and Rule 24 of the Commission's Rules of Practice and Procedure.

FINDINGS OF FACT

1. By Decision No. C86-346 dated March 25, 1986, entered in Application No. 37551-Stock Transfer, this Commission authorized K N to acquire controlling stock interest in Rocky Mountain. In its Decision No. C86-792, dated June 24, 1986, in Application No. 37658-Merger, this Commission authorized Rocky Mountain to be merged into K N with K N to be the surviving corporation after the merger. That merger became effective July 1, 1986, and by operation of law, K N now possesses all of the rights, privileges, immunities, powers and franchises of Rocky Mountain, including the franchises involved in this application.

2. In preparing for its presentation of Application No. 38325-Securities, filed with the Commission March 24, 1987, K N carefully reviewed its compliance with all applicable laws and regulations. During this review it came to K N's attention that its predecessor, Rocky Mountain, had inadvertently overlooked obtaining the necessary certificates of public convenience and necessity to exercise franchise rights with respect to franchises granted Rocky Mountain by the cities and towns involved in this application. K N immediately caused this application to be filed to obtain ratification of these franchises and the necessary certificate.

3. K N is a Kansas corporation qualified to do business within the State of Colorado. K N's Colorado certificate of authority and its Restated Articles of Incorporation, together with all amendments thereto, except the amendment of January 28, 1987, were filed with the Commission on May 9, 1986, in Application No. 37658-Merger. An amendment dated January 28, 1987, was filed with the Commission March 24, 1987, in Application No. 38324-Securities.

4. K N was incorporated under the laws of the state of Kansas on May 18, 1927, and on January 2, 1951, was qualified to do business as a foreign corporation in the State of Colorado. It possesses charter powers to engage in any lawful act or activity for which corporations may be organized under the Kansas General Corporation Code, all as more fully set out in its Restated Articles of Incorporation, as amended.

K N has conducted natural gas utility operations in the northeastern quarter of Colorado since the early 1950s under certificates of public convenience and necessity granted to K N by this Commission. K N's northeastern Colorado service area includes certain areas within Logan, Morgan, Sedgwick, Washington, Weld and Yuma Counties. K N sells natural gas at retail in the communities of Akron, Eckley, Fleming, Haxtun, Holyoke, Iliff, Julesburg, Otis, Ovid, Paolia, Wray and Yuma. In its certificated service area in northeastern Colorado, K N also serves industrial and irrigation customers.

Under this Commission's Decision No. C86-792 dated June 24, 1986, K N was authorized to merge Rocky Mountain into K N. Such merger became effective on July 1, 1986, and this Commission was so notified on that date. Rocky Mountain's natural gas business is now operated as the Rocky Mountain Natural Gas Division of K N Energy, Inc. (Rocky Mountain Division) Rocky Mountain Division performs natural gas transmission and distribution service under certificates of public convenience and necessity issued by this Commission. At retail it serves the communities of Aspen, Basalt, Carbondale, Cedaredge, Collbran, Dacono, Delta, Dove Creek, Eagle, Edwards, Firestone, Frederick, Glenwood Springs, Gypsum, Hotchkiss, Montrose, Naturita, Nucla, Norwood, Olathe, Orchard City, Paonia, Snowmass Village, Telluride, Walden, and Wellington. Franchises issued by 14 of these cities and towns are at issue in this application.

K N holds appropriate certificates of public convenience and necessity granted by the Federal Energy Regulatory Commission (FERC) to transact the business of a natural gas company in the states of Colorado, Kansas, Montana, Nebraska, Oklahoma, Texas, and Wyoming, transporting and distributing natural gas from and within the states of Colorado, Kansas, Nebraska, and Wyoming. It holds appropriate certificates of convenience and necessity granted by the Corporation Commission of the State of Kansas to transact the business of a public utility in certain areas of that state. K N holds certificates of public convenience and necessity granted by the Wyoming Public Service Commission to transact the business of a public utility in certain areas of Wyoming. It purchases, gathers, sells, and transports natural gas in interstate commerce in the State of Texas and engages in the intrastate retail sale of natural gas in that state. Finally, K N purchases, gathers, and transports natural gas in interstate commerce in the states of Montana and Oklahoma.

5. A listing of K N's affiliates, together with a short description of the business activities of each, was attached to its application as Appendix 1. None of K N, Rocky Mountain Division, or K N's affiliates holds authority duplicating that sought in the application.

6. K N (and Rocky Mountain Division of K N) is a gas utility. It seeks ratification of these franchises and a certificate of public convenience and necessity to exercise franchise rights to provide gas utility service to the communities identified in the following Table 1. With the exception of Crawford, K N and its predecessor, Rocky Mountain, have performed gas utility service within these municipalities for many years. The ordinances authorizing the franchises were attached to the application as appendices and are identified as follows in Table I:

TABLE I
FRANCHISES TO BE CERTIFICATED

<u>City or Town</u>	<u>Ordinance Number</u>	<u>Date of Adoption</u>	<u>Date of Acceptance</u>	<u>Number of Years</u>	<u>Attached as Appendix Number</u>
Aspen	14 Series of 1986	4/28/86	7/28/86	20	5
Basalt	12 Series of 1985	8/14/85	9/13/85	10	6
Carbondale	12 Series of 1985	10/8/85	10/8/85	10	7
Cedaredge	5-1984	10/23/84	11/12/84	20	8
Collbran	101	11/6/84	3/31/87	20	9
Crawford	1 Series of 1986	4/9/86	5/6/86	20	10
Dacono	282	6/11/84	6/11/84	10	11
Dove Creek	135	9/18/80	10/1/80	10	12
Firestone	202	6/14/84	6/29/84	15	13
Frederick	244	6/14/84	6/29/84	10	14
Glenwood Springs	38 Series of 1985	12/5/85	12/5/85	10	15
Olathe	5-1984	9/10/84	9/18/84	20	16
Orchard City	3-84	9/12/84	9/17/84	10	17
Walden	290	1/23/84	6/29/84	25	18

7. The following Table II shows the amount of the franchise fees agreed to at each community:

TABLE II
FRANCHISE FEES

<u>City or Town</u>	<u>Percent</u>
Aspen	2
Basalt	3
Carbondale	2
Cedaredge	3
Collbran	2
Crawford	3
Dacono	3
Dove Creek	3
Firestone	3
Frederick	3
Glenwood Springs	2
Olathe	3
Orchard City	3
Walden	3

8. As indicated, Rocky Mountain Division and its predecessor, Rocky Mountain, have served this area in the State of Colorado for many years. With the exception of Crawford, all of these franchises are renewals. These franchises have all been authorized either by the city or town council where appropriate, or after elections where required. The service to these communities has been uninterrupted for decades.

To perform this service, Rocky Mountain Division transports and delivers natural gas through approximately 1,636 miles of underground pipelines. This mileage does not include any of the other K N system. Rocky Mountain Division estimates its natural gas reserves to be in excess of 46 billion cubic feet. This represents an approximate 11.4 years' supply. In addition to the pipelines, Rocky Mountain Division has the necessary metering and regulating equipment, and ten office and warehouse buildings. The population of the communities to be served and the number of customers in those communities is shown in the following Table III:

TABLE III
COMMUNITIES TO BE SERVED

<u>City or Town</u>	<u>Population</u>	<u>Number of Customers</u>
Aspen	3,678	3,198
Basalt	529	285
Carbondale	2,084	1,447
Cedaredge	1,184	563
Collbran	344	360
Crawford	262	0
Dacono	1,500 (Est.)	1,176
Dove Creek	826	296
Firestone	1,000 (Est.)	747

TABLE III
COMMUNITIES TO BE SERVED

<u>City or Town</u>	<u>Population</u>	<u>Number of Customers</u>
Frederick	856	385
Glenwood Springs	4,637	2,918
Olathe	1,262	471
Orchard City	1,814	485
Walden	947	589

9. Prior to the merger with K N, Rocky Mountain had appropriate tariffs on file with this Commission. Those tariffs have been adopted by K N through its Rocky Mountain Division. Presently, there are tariffs on file with this Commission which are in full force and effect. It is not contemplated that this application will affect those tariffs in any respect.

CONCLUSIONS ON FINDINGS OF FACT

THE COMMISSION CONCLUDES THAT:

The application filed by K N is in the public interest and should be granted.

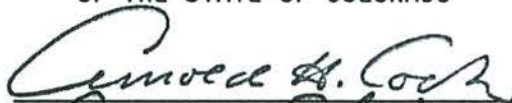
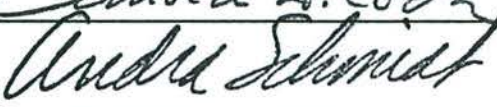
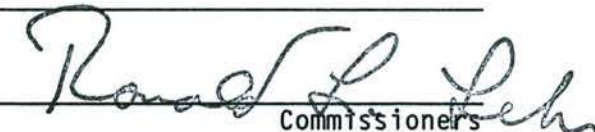
THEREFORE THE COMMISSION ORDERS THAT:

The exercise of franchise rights in the municipalities identified in the above findings of fact is ratified, and K N Energy, Inc., is authorized to exercise franchise rights to provide gas utility service to the communities identified in Table I in the above findings of fact in accordance with the franchises appended to Application No. 38343.

This Order shall be effective immediately.

DONE IN OPEN MEETING this 15th day of April 1987.

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO




Commissioners