

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

DOCKET NO. 04L-530G

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

**COMMISSION ORDER AUTHORIZING
UPWARD REVISIONS OF GAS RATES**

Mailed Date: October 27, 2004
Adopted Date: October 27, 2004

I. BY THE COMMISSION

A. Statements

1. On October 18, 2003, Colorado Natural Gas, Inc. (Applicant or CNG), filed a verified application. Applicant seeks a Commission order authorizing it, without formal hearing and on less-than-statutory notice, to place into effect on November 1, 2004, tariffs resulting in an increase to its existing natural gas rates now on file with the Commission.

2. On October 25, 2004, Applicant amends its application to provide revised tariffs.

3. The proposed tariffs are attached to the application and affect Applicant's customers in, and in the vicinity of, Bailey and Cripple Creek, Colorado.

4. This application for authority to increase rates is made pursuant to § 40-3-104(2), C.R.S., and Rule 41.5 of the Commission's Rules of Practice and Procedure, 4 *Code of Colorado Regulations* (CCR) 723-1.

B. Findings of Fact and Conclusions

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

6. Applicant's natural gas requirements for both Bailey and Cripple Creek service areas are met through firm gas sales agreements. Supplies needed to serve CNG's Bailey service area are transported for delivery to CNG's system via Public Service Company of Colorado's (PSCo) system. Supplies needed to serve CNG's Cripple Creek service area are transported for delivery to CNG's system via Peoples Natural Gas Company (Peoples). Pipeline delivery services provided by PSCo and Peoples 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 (Public Law 95-621) and applicable federal regulations or determinations made under applicable federal regulations.

8. The Commission's Gas Cost Adjustment Rules require that CNG revise its gas cost adjustment (GCA) rates to be effective on November 1 of each year. *See* 4 CCR 723-8-2.2. The instant filing is intended to comply with this requirement.

9. The purpose of the requested upward revision of Applicant's gas rates is to reflect a change in the level of natural gas pipeline transportation costs and an increase in the estimated gas commodity costs charged Applicant effective November 1, 2004, and to adjust for previous under-recovery of purchase gas costs as of June 30, 2004.

10. The effect of the revisions is an annualized increase of \$811,354 and \$253,762 to Applicant's customers in the Bailey Division and the Cripple Creek Division, respectively.

11. The proposed tariffs, attached as Appendix A, will increase annual revenues by \$1,065,116, which is an increase of 12.74 percent.

12. Applicant's last authorized rate of return on rate base was 12.00 percent and its last authorized rate of return on equity was 15.00 percent. Without the GCA rate revision to pass on increased gas cost, Applicant's rate of return on rate base would be 3.73 percent and its rate of return on equity would be (0.43) percent. If this increase is approved, Applicant's rate of return on rate base will be 7.08 percent and its rate of return on equity will be 9.65 percent. Although Applicant is not allowed to earn a return on any GCA costs, Applicant has shown good cause for expedited passthrough of increases in GCA costs in light of the significant impact of these costs on its financial integrity.

13. Applicant shall arrange for notice of publication of the proposed rate in conformance with Rule 41(e) of the Commission's Rules of Practice and Procedure, 4 CCR 723-1 within three days after the filing of this application. 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 proposed increase in rates will substantially recover only Applicant's increased cost of gas.

15. Good cause exists for the Commission to allow the proposed increases on less-than-statutory notice.

II. ORDER

A. The Commission Orders That:

1. The application, as amended, filed by Colorado Natural Gas, Inc. for authority to change tariffs on less-than-statutory notice is granted.

2. Colorado Natural Gas, Inc. is authorized to file on not less than one day's notice the tariffs attached as Appendix A and made a part of this Order. These tariffs shall be effective for actual gas sales on or after their effective date of November 1, 2004.

3. This Order is effective on its Mailed Date.

**B. ADOPTED IN COMMISSIONERS' WEEKLY MEETING
October 27, 2003.**

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

Commissioners