

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

DOCKET NO. 04L-531G

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IN THE MATTER OF THE APPLICATION OF ROCKY MOUNTAIN NATURAL GAS  
COMPANY FOR AN ORDER AUTHORIZING IT TO EFFECT CERTAIN REVISIONS IN  
GAS RATES UPON LESS THAN STATUTORY NOTICE.

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

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

**I. BY THE COMMISSION**

**A. Statement**

1. On October 18, 2004, Rocky Mountain Natural Gas Company (Applicant), 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 on file with the Commission.

2. In addition, pursuant to Rule 4 *Code of Colorado Regulations* (CCR) 723-16-3 of the Commission's rules governing the treatment of confidential information, Applicant has filed under seal an original and six copies of Gas Cost Adjustment (GCA) Exhibit No. 2A containing material that it claims is highly confidential, proprietary, and market-sensitive.

3. The proposed tariffs are attached to the application, and affect Applicant's only customer, Kinder Morgan, Inc. (KMI).

4. This application for authority to increase rates is made under § 40-3-104(2), C.R.S., and Rule 41.5, Commission's Rules of Practice and Procedure, 4 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 purchase, transmission, and general resale of natural gas along its pipeline system in the western slope area of the State of Colorado. Applicant's only sale-for-resale customer is KMI.

6. The majority of Applicant's natural gas supply is purchased from wellhead sources. This Commission expects 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 or determinations made under applicable federal regulations.

7. The Commission's Gas Cost Adjustment Rules require that Applicant revise its 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 that requirement.

8. Applicant proposes to increase rates for its customer by \$2.6405 per Mcf.

9. The purpose of the upward revision of Applicant's gas rates is to reflect an increase in the level of natural gas costs charged Applicant based on rates to be in effect November 1, 2004, applied to normalized purchase and sales volumes during the test period and to adjust for previous over- or under- collections of purchase gas costs as of June 30, 2004.

10. The effect of the revisions is an annualized increase of \$18,681,023 to Applicant's only customer.

11. The proposed tariffs, attached as Appendix A, will increase revenues by \$18,681,023, which is an increase of 39.18 percent.

12. Applicant anticipates that the adjustment in the GCAs requested will bring future gas cost recovery amounts more closely in line with the predicted future price of gas.

13. Applicant's last authorized rate of return on rate base was 11.73 percent and its last authorized rate of return on equity was 13.60 percent. Without the GCA rate revision to pass on increased gas cost, Applicant's rate of return on rate base would be (16.55) percent and its rate of return on equity would be (43.35) percent. If this increase is approved, Applicant's rate of return on rate base will be 11.80 percent and its rate of return on equity will be 17.19 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.

14. 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, Applicant should report the transaction costs and provide price comparisons to index, gains, and losses, and information on volumes each month for which the gas price volatility risk management tools are used.

15. 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 published in the legal notice section in a newspaper of general circulation. The filing of this application was also brought to the attention of Applicant's only customer, KMI by hand-delivered written notice.

16. The proposed increase in rates will substantially recover only Applicant's increased cost of gas.

17. 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 filed by Rocky Mountain Natural Gas Company for authority to change tariffs on less-than-statutory notice is granted.

2. Rocky Mountain Natural Gas Company is authorized to file, on 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, 2004.**

THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF COLORADO

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Commissioners