

Decision No. C04-1271

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

DOCKET NO. 04L-528G

~~DATE DRAFTED: MARCH 17, 2003~~

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~~DRAFTED BY: B. KWAN~~

~~MAILING PRIORITY: 2~~

IN THE MATTER OF THE APPLICATION OF EASTERN COLORADO UTILITY
COMPANY 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, 2004, Eastern Colorado Utility Company (Eastern or 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 now on file with the Commission.

~~2.2.~~ The proposed tariffs are attached to the application, and affect Applicant's customers in, and in the vicinity of, Watkins, Strasburg, Byers, Deer Trail, Kit Carson, Sheridan Lake, and Bennett, Colorado.

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~~4.3.~~ This application for authority to increase rates is made pursuant to § 40-3-104(2), C.R.S., and 4 *Code of Colorado Regulations* (CCR) 723-1-41.5.

B. Findings of Fact

~~1.4.~~ 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 various certificated areas within the State of Colorado.

~~2.5.~~ Applicant's natural gas requirement is purchased from the Nebraska Public Gas Agency under a firm, all requirements gas sales agreement. Those supplies are transported for delivery to Applicant's system via CIG. Pipeline delivery services provided by CIG are regulated by the Federal Energy Regulatory Commission.

~~3.6.~~ The 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 1978, 15 U.S.C. §§ 3301-3432 (Public Law 95-621), and applicable federal regulations or determinations made under applicable federal regulations.

~~4.7.~~ The Commission's Gas Cost Adjustment (GCA) Rules at 4 CCR 725-8-2.2 require that Eastern Colorado Utility Company revise its GCA rates to be effective on November 1 of each year. The instant filing is intended to comply with this requirement. ~~This filing is intended to comply with that requirement.~~

~~6.8.~~ The purpose of the proposed revision is to reflect the level of: (1) natural gas costs to be charged Applicant by its numerous producers/suppliers during the period November 1, 2003 through October 30, 2004, based on forecasted and actual sales quantities, producer/supplier contract pricing terms, and market indices; (2) costs for upstream pipeline

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services anticipated to be charged Applicant by CIG for the same period; and (3) the over-recovered gas cost balance in Applicant's Deferred Gas Cost Account No. 191 as of June 30, 2004.

9. The purpose of the upward revision of Applicant's gas rates is due to 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 under-collections of purchase gas costs.

10. The effect of the revisions is an increase of \$554,682 to Applicant's customers.

~~14.11.~~ The proposed tariffs, attached as Appendix A, will increase annual revenues by \$554,682, which is an increase of 18.01 percent.

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12. Applicant's last authorized rate of return on rate base was 11.75 percent, and its last authorized rate of return on equity was 12.91 percent. If this increase is approved, Applicant's rate of return on rate base will be 6.15 percent and rate of return on equity will be 7.51 percent. Without the increase, Applicant's rate of return on rate base would be (37.30) percent and its rate of return on equity would be (46.87) 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 proposes to handle certain refund monies, plus accrued interest calculated to the mid-point of the GCA Effective Period, from the CIG rate case settlement in FERC Docket No. RP01-350 and other CIG dockets through Account No. 191 of the GCA mechanism, rather than pursuant to a separate refund plan. Applicant also requests that it be

authorized to make a payment to Energy Outreach Colorado (EOC) in the amount of twelve percent of the total refund amount Applicant received from CIG, plus accrued interest, or \$1,249.45. Applicant notes that, in the ordinary course of events, the Commission's rules require that these refund monies be returned to customers pursuant to a refund plan approved by the Commission. Applicant also notes that the Commission approved Xcel Energy's request to contribute an amount to EOC in Decision No. C03-1401 (Docket No. 03A-286G), which was twelve percent.

14. The filing of this application was brought to the attention of Applicant's affected customers by publication in the *Tri-County Tribune*, Deer Trail; *Eastern Colorado News*, Strasburg; *Kiowa County Press*, Eads; and *Range Ledger*, Cheyenne Wells, local weekly newspapers of circulation in the area affected.

15. Applicant acknowledges its obligation under Rule 41 of the *Commission's Rules of Practice and Procedure*, 4 CCR 723-1, to publish notice of the subject filing within three (3) days after the filing of this application. To the extent such publication does not occur within three (3) days after the filing of this Application, Applicant requests that the Commission grant Applicant a waiver of that requirement of the Commission's rules.

~~17-16.~~ The proposed increase in rates will substantially recover only Applicant's increased cost of gas.

~~18-17.~~ Good cause exists to allow the proposed increases on less-than-statutory notice.

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II. ORDER

A. The Commission Orders That:

1. The application filed by Eastern Colorado Utility Company for authority to change tariffs on less-than-statutory notice is granted.

2. The request by Eastern Colorado Utility Company to return refund monies to customers through the Gas Cost Adjustment mechanism rather than through a refund plan is granted. Eastern Colorado Utility Company is authorized to make a payment to Energy Outreach Colorado in the amount of twelve percent of these refund monies.

3. The Commission's acceptance of the proposed refund plan (including the use of 12 percent as a reasonable proxy of ninety percent of what might otherwise have been expected to have gone unclaimed be paid to Energy Outreach Colorado pursuant to § 40-8-101(2), C.R.S.) of refund monies received to date from various FERC dockets does not constitute approval of, or precedent regarding, any principle or issue in any gas cost adjustment, refund, or rate case dockets.

4. Eastern Colorado Utility Company is granted a limited one-time waiver of Rule 41 of the Commission's Rules of Practice and Procedure, 4 CCR 723-1 to publish notice of the subject filing later than three (3) days after the filing of this application.

~~3-5.~~ Eastern Colorado Utility Company 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.

~~5-6.~~ This Order is effective on its Mailed Date.

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**B. ADOPTED IN COMMISSIONERS' WEEKLY MEETING
October 27, 2004.**

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

Commissioners

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