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July 5, 2006 Advice No. 32 - Gas **RECEIVED** 

JUL 5, 2006

Public Utilities Commission of the State of Colorado 1580 Logan Street, OL- 2 Denver, Colorado 80203

PUBLIC UTILITIES COMMISSION STATE OF COLORADO

The accompanying tariff sheets issued by Colorado Natural Gas, Inc. ("CNG") are sent to you for filing in accordance with the requirements of the Public Utilities Law:

COLORADO P.U.C. NO. 1 -GAS

and the following sheets are attached:

		Cancels	
Colorado P.U.C. Sheet No.	Title of Sheet	Colorado P.U.C. Sheet No	
Second Amended Sheet 3	Natural Gas Rates	First Amended Sheet 3	
Third Amended Sheet 4	Natural Gas Rates	Second Amended Sheet 4	
Second Amended Sheet 5	Natural Gas Rates	First Amended Sheet 5	
First Amended Sheet 5A	Natural Gas Rates	Original Sheet 5A	
First Amended Sheet 5B	Natural Gas Rates	Original Sheet 5B	
Second Amended Sheet 6	Natural Gas Rates	First Amended Sheet 6	
Fifth Amended Sheet 7	Natural Gas Rates	Fourth Amended Sheet 7	
Fifth Amended Sheet 8	Natural Gas Rates	Fourth Amended Sheet 8	
Fifth Amended Sheet 9	Natural Gas Rates	Fourth Amended Sheet 9	
Eleventh Amended Sheet 9A	Natural Gas Rates	Tenth Amended Sheet 9A	
First Amended Sheet 9B	Natural Gas Rates	Original Sheet 9B	
First Amended Sheet 9C	Natural Gas Rates	Original Sheet 9C	
First Amended Sheet 9D	Natural Gas Rates	Original Sheet 9D	
First Amended Sheet 9E	Natural Gas Rates	Original Sheet 9E	
Fifth Amended Sheet 10	Natural Gas Rates	Fourth Amended Sheet 10	
Fifth Amended Sheet 11	Natural Gas Rates	Fourth Amended Sheet 11	
Fifth Amended Sheet 12	Natural Gas Rates	Fourth Amended Sheet 12	
Thirteenth Amended Sheet 12A	Natural Gas Rates	Twelfth Amended Sheet 12A	
Fifth Amended Sheet 14	Natural Gas Rates	Fourth Amended Sheet 14	
First Amended Sheet 15A	Natural Gas Rates	Original Sheet 15A	
Second Amended Sheet 15B	Natural Gas Rates	First Amended Sheet 15B	
Fifth Amended Sheet 16	Natural Gas Rates	Fourth Amended Sheet 16	
Second Amended Sheet 17	Natural Gas Rates	First Amended Sheet 17	

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Natural Gas Rates Fourth Amended Sheet 18 Fifth Amended Sheet 18 First Amended Sheet 19A Natural Gas Rates Original Sheet 19A Original Sheet 19B First Amended Sheet 19B Natural Gas Rates Natural Gas Rates Fourth Amended Sheet 20 Fifth Amended Sheet 20 First Amended Sheet 21 Natural Gas Rates Original Sheet 21 Original Sheet 22 First Amended Sheet 22 Natural Gas Rates

Fifth Amended Sheet 23 Natural Gas Rates Fourth Amended Sheet 23

First Amended Sheet 24
First Amended Sheet 24A
First Amended Sheet 24B
Natural Gas Rates
Original Sheet 24A
Original Sheet 24A
Original Sheet 24A
Original Sheet 24B

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First Amended Sheet 24C

First Amended Sheet 25

Natural Gas Rates

Original Sheet 24C

Natural Gas Rates

Original Sheet 24C

Original Sheet 25

Fifth Amended Sheet 26 Natural Gas Rates Fourth Amended Sheet 26 First Amended Sheet 27 Natural Gas Rates Original Sheet 27

First Amended Sheet 27 Natural Gas Rates Original Sheet 27
First Amended Sheet 40 Natural Gas Rates Original Sheet 40
Fifth Amended Sheet 41 Natural Gas Rates Fourth Amended Sheet 41

Fifth Amended Sheet 41 Natural Gas Rates Fourth Amended Sheet 41 First Amended Sheet 41A Natural Gas Rates Original Sheet 41A

First Amended Sheet 41A

First Amended Sheet 41B

Second Amended Sheet 42

Fifth Amended Sheet 43

Second Amended Sheet 69

Natural Gas Rates

Natural Gas Rates

First Amended Sheet 42

Fourth Amended Sheet 43

Second Amended Sheet 69

Natural Gas Rates

First Amended Sheet 69

Natural Gas Rates

First Amended Sheet 69

Second Amended Sheet 43

Natural Gas Rates
Second Amended Sheet 69

Fifteenth Amended Sheet 75

Third Amended Sheet R50

Natural Gas Rates
Natural Gas Rates
Fourth Amended Sheet 43

First Amended Sheet 69

Fourteenth Amended Sheet 75

Natural Gas Rates
Second Amended Sheet R50

The principal proposed changes to the gas rate schedules in CNG's Colorado P.U.C. No. 1 - Gas tariff to become effective August 1, 2006 are: (1) to revise the service & facility charges to retain historical percentage relationships of the total revenue requirement and thereby better match the recovery of the fixed costs associated with its natural gas delivery system with the incurrence of those costs; and (2) to revise the Distribution Charge. The proposed revisions will apply to gas sales service under CNG's Residential Gas Service (Schedules RG-B, RG-CO, RG-C), Commercial Gas Service (Schedules CG-B, CG-CO, CG-C) applicable to service rendered within the Company's Bailey, Conifer and Cripple Creek Divisions.

CNG also proposes to consolidate its three existing service areas into a single service area for purposes of Distribution and Service & Facility charge rate determinations. As a result, if approved, the above-referenced rate schedules will be replaced by rate schedules applicable to the entire system.

CNG is proposing to increase its gas utility base rate revenues by approximately \$2.94 million, or 57 percent, on an annual basis. CNG's proposed base rates are intended to recover 100.00 percent of the annual distribution costs to serve gas customers, based upon revenue requirements of \$8.13 million, as developed based on a test year of the 12 months ending March 31, 2006, as adjusted. The base rates do not include the costs of the gas commodity or upstream pipeline service costs which CNG recovers from customers through its Gas Cost Adjustment. The proposed increase is 20.54 percent over total jurisdictional gas service revenues, including gas costs, of \$9.3 million.

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Contemporaneously filed with this advice letter are testimony and exhibits, which both explain and justify the Company's proposals herein to revise its base rates.

The effect of this filing on the Company's annual base rate gas revenues is an increase of \$2.94 million based on the twelve months ended March 31, 2006, as adjusted. The proposed filing would allow the Company an opportunity to earn a 15.00 percent return on equity and a 9.40 percent overall return on rate base. CNG believes a 15.00 percent return to common equity and a 9.40 percent return on rate base are justified.

Customers of the Company will be affected as shown below. The current average monthly bills include the 2006 Gas Cost Adjustment (GCA) amounts.

### **IMPACT OF NEW RATES**

Rate	Average	Current	Proposed	Monthly	Percent
Schedule	<b>Monthly Usage</b>	Average	Average	Change	Rate
	therms	Monthly Bill	Monthly Bill		Impact
RG-B	74	142.69	170.80	28.11	19.70
CG-B	451	824.59	974.70	150.11	18.20
RG-CO	71	127.69	163.32	35.63	27.90
CG-CO	-	•	-	•	-
RG-C	65	130.46	155.16	24.70	18.93
CG-C	505	955.84	1,118.90	163.06	17.06

Notice of this filing will be published in the Denver Post on or about July 7, 2006. Customers of the Company receiving gas service as of the date of this filing will also be notified of this filing by means of an inclusion in the July gas bill, scheduled to be mailed July 27, 2006. A copy of the official notice is attached hereto as Appendix A.

It is requested that the changed tariffs accompanying this advice letter become effective on August 5, 2006.

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Please send copies of all notices, pleadings, correspondence, and other documents regarding this filing to:

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By:\_

Tim Johnston, P.E., Chief Operating Officer