

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

DOCKET NO. 04P-286G

2006 SEP 15 AM 9:09

IN THE MATTER OF THE GAS PURCHASE PLANS AND GAS PURCHASE
REPORTS FOR ROCKY MOUNTAIN NATURAL GAS COMPANY FOR THE GAS
PURCHASE YEAR JULY 1, 2004 THROUGH JUNE 30, 2005

JOINT MOTION FOR ORDER APPROVING ATTACHED STIPULATION AND
SETTLEMENT AGREEMENT AND CLOSING DOCKET

Rocky Mountain Natural Gas Company ("Rocky Mountain"), Staff of the Public Utilities Commission ("Staff"), and the Office of Consumer Counsel ("OCC") (collectively referred to as "Joint Movants"), through their respective undersigned counsel, hereby jointly move, pursuant to the Commission's Rules of Practice and Procedure for an Order in the instant docket: (a) approving the Stipulation and Agreement attached to this Motion; (b) closing the instant docket and (c) waiving the response time to this Motion. As grounds therefore, Joint Movants respectfully state:

1. By Decision No. C06-0023, "Order Commencing Prudence Review and Notice of Hearing", mailed January 13, 2006 and adopted January 11, 2006, the Commission commenced a prudence review of the natural gas purchases of Rocky Mountain for the period of July 1, 2004 through June 30, 2005, established, inter alia, that Staff of the Commission was a party to this proceeding, February 13, 2006 as the last date for interventions, and August 4, 2006 as the date for hearing. The Commission stated: "... [T]his prudency review [is] to enable trial advocacy staff to conduct an investigation into gas costs. If trial advocacy staff believes that imprudence related to gas costs occurred,

the hearing will go forward on any issues identified; if not, the docket will be closed.”¹ On January 31, 2006, Staff filed its entry of appearance pursuant to Rule 9(d) and the OCC timely intervened on February 7, 2006. There are no other interveners in or parties to this matter.

2. Rocky Mountain, Staff and the OCC filed joint or unopposed motions with the Commission requesting modifications to the established procedural schedule in this docket to allow Staff additional time to complete its investigation of the prudence of the subject Gas Purchase Plans (“GPP”) and Gas Purchase Reports (“GPR”) filed in this docket. Those separate motions were granted by Administrative Law Judge, William J. Fritzel (“ALJ”).

3. Staff and the OCC conducted substantial discovery with respect to Kinder Morgan’s GPP and GPR filed in this docket.

4. Staff consulted with Rocky Mountain and Staff and Rocky Mountain held several meetings to discuss Rocky Mountain’s GPP and GPR in conjunction with Staff’s investigation. Rocky Mountain presented additional information to Staff to address issues or answer questions raised by Staff in the course of its investigation. This Stipulation and Agreement is the result of those meetings and settlement discussions and reflects resolution of all outstanding issues in this docket.

5. Joint Movants request a waiver of the response time to this Motion. Joint Movants are the only active parties in this proceeding. No party will be prejudiced by granting the waiver and a waiver of response time is appropriate.

WHEREFORE, for good cause shown, Joint Movants respectfully move the Commission for an Order: (a) approving the Stipulation and Agreement attached to

¹ Decision No. C06-0023, Order Paragraph A.3

this Motion; (b) closing the instant docket and (c) waiving the response time to this Motion.

Respectfully submitted this 15th day of September, 2006

ROCKY MOUNTAIN NATURAL GAS COMPANY

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**Attorney for the Colorado
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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

DOCKET NO. 04P-286G

IN THE MATTER OF THE GAS PURCHASE PLANS AND GAS PURCHASE
REPORTS FOR ROCKY MOUNTAIN NATURAL GAS COMPANY FOR THE GAS
PURCHASE YEAR JULY 1, 2004 THROUGH JUNE 30, 2005

STIPULATION AND AGREEMENT

This Stipulation and Agreement ("Stipulation" or "Stipulation and Agreement") is entered into by and between Rocky Mountain Natural Gas Company ("Rocky Mountain"), the Staff of the Colorado Public Utilities Commission ("Staff") and the Office of Consumer Counsel ("OCC"), hereinafter collectively referred to as the "Parties". The Parties hereby enter into this Stipulation resolving as between the Parties, all issues that have been raised or could have been raised in Docket 04P-286G. This Stipulation sets forth all the terms and conditions of such settlement.

The Parties to this Stipulation state that the results of the compromises reflected herein are a just and reasonable resolution of the issues addressed in this Stipulation, and that reaching agreement as set forth herein by means of a negotiated settlement is in the public interest. Each Party hereto pledges its support of this Stipulation and states that each will defend the settlement reached. The Parties respectfully request that the Public Utilities Commission of the State of Colorado ("Commission" or "PUC") approve this Stipulation.

I. Background

1. By Decision No. C06-0023, "Order Commencing Prudence Review and Notice of Hearing", mailed January 13, 2006 and adopted January 11, 2006, the Commission commenced a prudence review of the natural gas purchases of Rocky

Mountain for the period of July 1, 2004 through June 30, 2005, established, inter alia, that Staff of the Commission was a party to this proceeding, set February 13, 2006 as the last date for interventions, and set August 4, 2006 as the date for hearing. The Commission stated: "... [T]his prudence review [is] to enable trial advocacy staff to conduct an investigation into gas costs. If trial advocacy staff believes that imprudence related to gas costs occurred, the hearing will go forward on any issues identified; if not, the docket will be closed."¹ On January 31, 2006, Staff filed its entry of appearance pursuant to Rule 9(d) and the OCC timely intervened on February 7, 2006. There are no other interveners in or parties to this matter.

2. Rocky Mountain, Staff and the OCC filed joint or unopposed motions with the Commission requesting modifications to the established procedural schedule to allow Staff additional time to complete its investigation of the prudence of the subject Gas Purchase Plans ("GPP") and Gas Purchase Reports ("GPR") filed in this docket. Those separate motions were granted by Administrative Law Judge, William J. Fritzell ("ALJ").

3. Staff and the OCC conducted substantial discovery with respect to Rocky Mountain's GPP and GPR filed in this docket.

4. Staff consulted with Rocky Mountain on several occasions. Staff and Rocky Mountain also held several meetings to discuss Rocky Mountain's GPP and GPR in conjunction with Staff's investigation. Rocky Mountain presented additional information to Staff to address issues or to answer questions raised by Staff in the course of its

¹ Decision No. C06-0023, Order Paragraph A.3

investigation. This Stipulation and Agreement is the result of those meetings and settlement discussions and reflects resolution of all outstanding issues in this docket.

II. Agreement

Rocky Mountain, the Staff and the OCC hereby stipulate and agree as follows:

5. **Written Procedures Concerning Purchases and Recording of Gas Costs on a Prospective Basis.**

Rocky Mountain agrees that it will establish written procedures, as well as keep such written procedures current for purchasing and recording gas costs on a prospective and on an ongoing basis and shall file a copy of such procedures no later than six months after the date of the Commission's final decision in this matter. Such procedures should include, at a minimum, a narrative of purchasing and recording gas costs, FERC account numbers, location codes for all of the various rate areas, journal entries, and other types and kinds of location codes.

6. **Deduction of Certain Storage Volumes.**

Rocky Mountain agrees that it will, on a prospective and an on-going basis, deduct storage volumes from its actual purchases when presenting information in Rocky Mountain's annual Gas Purchase Report. Storage volumes, as well as the associated costs of such storage, will be tracked and accounted for separately.

7. **Credit Related to Prior Period Adjustment.**

For purposes of settlement in this docket proceeding, Rocky Mountain agrees to credit account 191 in the amount of \$618,742 related to a particular prior period adjustment (PPA), which Staff has questioned in this proceeding, provided that such crediting shall be

without prejudice to, and shall not constitute any waiver of, the rights of Rocky Mountain or Staff in regard to any prior period adjustment, that may be presented to the Commission in future docket proceedings. Rocky Mountain reserves its right to request, and Staff reserves its right to oppose or not oppose, Rocky Mountain's recovery of any prior period adjustment in any future filings with the Commission.

III. General Provisions

8. Notwithstanding the resolution of the issues set forth in this Stipulation and Agreement, none of the principles underlying this Stipulation and Agreement shall be deemed by the Parties to constitute a settled practice or precedent in any future proceeding, and nothing herein shall constitute a waiver by any Party with respect to any matter not specifically addressed herein. By entering into this Stipulation and Agreement, no Party shall be deemed to have agreed to any method of ratemaking, cost allocation, rate design, or other regulatory principle. This Stipulation and Agreement is entered into by the Parties solely for the purpose of settling the issues raised or that could have been raised in this docket and addresses only the costs incurred in the subject gas purchase year. This Stipulation and Agreement is not intended to settle any costs which may be incurred in future gas purchase years which may be the subject of review in future gas cost adjustment proceedings.

9. The terms and conditions of this Stipulation and Agreement are just and reasonable, in the public interest, and should be approved.

10. The Parties state that in reaching agreement as set forth herein by means of a negotiated settlement, rather than by a contested hearing, is in the public interest.

11. In the event that the ALJ or Commission modifies any material term of this

Stipulation and Agreement, which modification is unacceptable to any Party hereto, that Party shall so notify the other Parties within 10 (ten) days after the decision becomes effective. In that event, this Stipulation and Agreement shall be considered null and void and of no force and effect in this or any other proceeding. In that event, this Stipulation and Agreement, its terms and conditions, and the negotiations or discussion undertaken in conjunction with this Stipulation and Agreement, shall not be admissible in evidence in this or any other proceeding.

12. The terms and conditions of this Stipulation and Agreement shall become effective on either (1) the date a recommended decision of the presiding ALJ approving this Stipulation and Agreement without modification of any material term which is unacceptable to any Party becomes the decision of the Commission by operation of law, or (2) the date a final decision of the Commission approving this Stipulation and Agreement without modification of any material terms which is unacceptable to any Party, becomes effective.

13. Approval of this Stipulation and Agreement shall constitute a determination that this Stipulation and Agreement represents a just, equitable and reasonable resolution of all issues which were or could have been contested by the Parties in this docket.

14. The Parties agree to a waiver of compliance with any Commission rule that may be necessary to permit all provisions of this Stipulation and Agreement to be carried out.

15. This Stipulation and Agreement may be executed in counterparts, each of which when taken together shall constitute the entire Stipulation and Agreement.

Dated this 15th day of September, 2006.

[SIGNATURE PAGES TO FOLLOW]

ROCKY MOUNTAIN NATURAL GAS COMPANY

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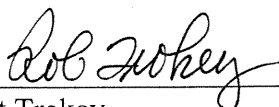
JOHN W. SUTHERS, ATTORNEY GENERAL

By: _____

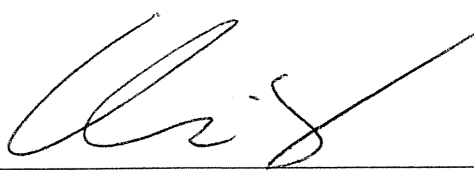
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**ATTORNEY FOR COLORADO
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CERTIFICATE OF SERVICE

I hereby certify that on this 16th day of September, 2006, the original and eight (8) copies of the "JOINT MOTION FOR ORDER APPROVING ATTACHED STIPULATION AND SETTLEMENT AGREEMENT AND CLOSING DOCKET" was filed via hand-delivery to:

Doug Dean, Director
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And a copy was placed in first-class mail, postage prepaid, to each of the following:

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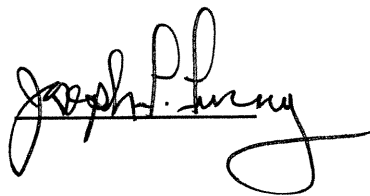
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A handwritten signature in black ink, appearing to read "Joseph P. Irby". The signature is written in a cursive style with a horizontal line underneath the name.