

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

PROCEEDING NO. 14AL-0127G

IN THE MATTER OF ADVICE LETTER NO. 1 FILED BY DURANGO MOUNTAIN UTILITIES, LLC TO IMPLEMENT COLORADO GAS TARIFF NO. 1; REQUEST APPROVAL OF COST ALLOCATION AND ASSIGNMENT MANUAL; REQUEST APPROVAL OF MANAGEMENT SERVICES AGREEMENT; REQUEST FINDING OF PRUDENCE; AND REQUEST FOR CERTAIN WAIVERS, TO BECOME EFFECTIVE MAY 1, 2014.

COMMISSION DECISION GRANTING APPLICATION

Mailed Date: April 29, 2014
Adopted Date: April 23, 2014

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I. BY THE COMMISSION**A. Statement**

1. On February 11, 2014, Durango Mountain Utilities, LLC (DMU or Company) filed Advice Letter No. 1, with testimony and exhibits, requesting Commission authorization to place into effect initial tariffs and rates with an effective date of May 1, 2014. In addition, in its advice letter DMU requests: approval of the Cost Allocation and Assignment Manual (CAAM);¹ approval of the Management Services Agreement between DMU and its parent company, DSC/Purgatory, LLC, doing business as, Durango Mountain Resorts (Durango Mountain Resorts);² a finding of prudence and allowance for recovery in rate base with respect to existing installed infrastructure and other assets of DMU's propane gas utility; and that the Commission grant certain waivers from the Rules Regulating Gas Utilities and Pipeline Operators, 4 *Code of Colorado Regulations* (CCR) 723-4.

2. On February 21, 2014, DMU filed the Affidavit of Notice to Customer. Notice of Advice Letter No. 1 was mailed to each customer of DMU on February 19, 2014.

3. On April 21, 2014, DMU filed Advice Letter No. 1 – Amended that, in addition to other revisions, revised the CAAM and direct testimony, withdrew a request for certain rule waivers, and provided supplemental testimony revising calculation of the revenue requirement that determines the base energy charge and certain tariff language.³

4. DMU filed the proposed tariffs pursuant to § 40-3-103, C.R.S.; Rule 1210 of the Rules of Practice and Procedure, 4 CCR 723-1; and Rules 4108 through 4110 and 4601 through 4609, 4 CCR 723-4.

¹ The proposed CAAM is included as Attachment A.

² The proposed Management Services Agreement is included as Attachment B.

³ The proposed initial tariff, as amended, is included as Attachment C.

5. By this Decision, we: approve the CAAM; approve the Management Service Agreement; discuss the requested finding of prudence; and grant the requested waivers, subject to conditions below.⁴

B. Discussion

6. DMU is propane gas distribution utility that provides service within its certificated service territory. DMU was granted a Certificate of Public Convenience and Necessity (CPCN) to provide propane gas service in Decision No. R13-0926, Proceeding No. 12A-1267G on August 28, 2013. As a condition of granting the CPCN, the Commission ordered DMU to file no later than October 31, 2013, or 30 days following the effective date of the Decision, an advice letter and proposed tariff sheets containing terms, conditions, rates, and charges applicable to the provision of propane gas retail service within its service territory. In Decision No. C13-1349, Proceeding No. 12A-1267G, effective October 28, 2013, the Commission granted DMU until January 31, 2014, to make the necessary filing. In Decision No. C14-0139, Proceeding No. 12A-1267G, effective February 6, 2014, the Commission granted DMU's motion to file the advice letter and tariffs until February 11, 2014.

1. Approval of the Cost Assignment and Allocation Manual.

7. Rule 4503, 4 CCR 723-4, requires each utility to maintain on file with the Commission an approved indexed cost assignment and allocation manual. DMU includes the proposed CAAM with the advice letter and requests approval. Upon review the Commission finds there is good cause to grant this request. We approve the proposed CAAM.

⁴ The advice letter, including initial tariffs and rates with an effective date of May 1, 2014, shall become effective by operation of law.

2. Approval of Management Services Agreement.

8. DMU requests approval of the Management Services Agreement with Durango Mountain Resorts, dated January 29, 2014. In Decision No. R13-0926, ¶ 70(g) requires DMU to enter into a written contract, written memorandum of understanding, or other formal written agreement with Durango Mountain Resorts that meets certain criteria. DMU provided a copy of the contract with this filing. Upon review the Commission finds there is good cause to grant this request and approves the Management Services Agreement.

3. Finding of Prudence and Allowance for Recovery

9. DMU requests a finding of prudence and allowance for recovery in rate base with respect to existing installed infrastructure and other assets. DMU notes that, in granting its CPCN, Decision No. R13-0926, Proceeding No. 12A-1267G, did not make a finding of prudence with respect to DMU's existing installed infrastructure.

10. By this Decision, we grant the requests relevant to allowing the rates to go into effect by operation of law on May 1, 2014. This approach requires no specific finding regarding the prudence or the presumption of prudence of the existing installed infrastructure, notwithstanding DMU's ability to recover associated costs through rates.

4. Waiver of Commission Rules

11. DMU seeks a waiver of certain Rules Regulating Gas Utilities and Pipeline Operators, 4 CCR 723-4. First, DMU requests a waiver of the Gas Service Low Income Program outlined in Rule 4412. In support of its request, DMU states it estimates that less than 3 percent of its customers use their home as a primary residence, but as a second home. DMU is unaware that any of its customers fall below the federally defined poverty line. Furthermore,

DMU opines that the costs of a low income program would probably outweigh any possible benefits.

12. Second, DMU requests a waiver of Gas Cost Adjustment Rules, including Rule 4202(a), in order to allow conversion of propane metered in standard cubic feet (scf) to gallons for billing purposes. As support for granting the request, DMU represents it purchases propane gas from suppliers in gallons. The propane gas is metered in scf at the delivery point to the customer. DMU then converts the metered gas back to gallons, using the conversion formula, for billing, auditing, and accounting purposes. It is not unusual for propane to be billed in gallons, but it is not done exclusively throughout the propane gas distribution industry.

13. Third, DMU requests a partial waiver from Rule 4005(c), requiring maintenance of its books in accordance with the Uniform System of Accounts (USoA), 18 *Code of Federal Regulations* Part 201, including adoption of USoA account numbering system and keeping accounts on a calendar year basis. DMU requests that the waiver with respect to USoA account numbering be limited in duration to six months from the final decision of this proceeding.

14. Finally, DMU is also seeking a partial waiver of the requirement to use USoA account numbering in its CAAM and Fully Distributed Cost Study under Rules 4502(k) and 4503(b)(IV), provided however, that DMU will amend its CAAM when it has incorporated the USoA in its accounting. In support of its request, DMU states the Company will be working with Commission Staff concerning the implementation of USoA. Considering the small size of DMU and the limited type and amount of its plant and expenses, it should not be a complex process to enable DMU to be able to file annual reports and other required regulatory filings with the appropriate Federal Energy Regulatory Commission accounts.

15. The Commission finds there is good cause to grant the requested waivers. However, the waiver of Rules 4005(c), 4502(k), and 4503(b)(IV) with respect to USoA account numbering shall be limited in duration and shall expire on **December 31, 2014**; all other waivers are granted subject to the requirement that, unless extended by a subsequent Commission decision, these waivers shall expire on **December 31, 2016**.

II. ORDER

A. The Commission Orders That:

1. The proposed Cost Allocation and Assignment Manual filed by Durango Mountain Utilities, LLC, is approved.
2. The Management Services Agreement between Durango Mountain Utilities, LLC, and its parent company DSC/Purgatory, LLC, doing business as Durango Mountain Resorts is approved.
3. The requested waivers from the Commission's Rules Regulating Gas Utilities and Pipeline Operators, 4 *Code of Colorado Regulations* 723-4, are granted, consistent with the discussion above.
4. The 20-day time period provided by § 40-6-114, C.R.S., to file an application for rehearing, reargument, or reconsideration shall begin on the first day after the effective date of this Decision.
5. This Decision is effective on its Mailed Date.

**B. ADOPTED IN COMMISSIONERS' WEEKLY MEETING
April 23, 2014.**

(S E A L)



ATTEST: A TRUE COPY



Doug Dean,
Director

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

JOSHUA B. EPEL

PAMELA J. PATTON

GLENN A. VAAD

Commissioners