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BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

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1
2 CARL J. KUNASEK
Chairman
3 JIM IRVIN
Commissioner
4 WILLIAM A. MUNDELL
Commissioner
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6 IN THE MATTER OF THE APPLICATION OF)
BLACK MOUNTAIN GAS COMPANY - FILING)
7 FOR APPROVAL OF PURCHASED GAS)
ADJUSTOR SURCHARGES)
8)
9

DOCKET NO. G-03703A-00-0790

DECISION NO. 62985

ORDER

10 Open Meeting
October 25, 2000
11 Phoenix, Arizona

12 BY THE COMMISSION:

13 FINDINGS OF FACT

14 1. Black Mountain Gas Company ("BMG") is engaged in providing natural gas within
15 portions of Arizona, pursuant to authority granted by the Arizona Corporation Commission.

16 2. On October 6, 2000, BMG filed for Commission approval of purchased gas adjustor
17 surcharges for its Cave Creek and Page Divisions.

18 3. BMG's filing would implement a \$0.10 per therm surcharge in its Cave Creek Division
19 and a \$0.14 per therm surcharge in its Page Division. Both surcharges would be in effect from
20 November 2000 through April 2001.

21 4. Since the spring of 2000, market prices for natural gas and propane have shown large
22 increases. These prices are widely expected to remain at high level through at least the spring of 2001
23 and very possibly for a longer period of time.

24 5. BMG's PGA rates, which are calculated using a 12 month rolling average, have trended
25 upward since the spring of 2000. Given the size and speed of the market price runups, the PGA rates
26 have not fully reflected the changing cost of natural gas and propane.

27 6. At the end of August 2000, the PGA bank balance in the Cave Creek Division was
28 undercollected by \$267,844 and the PGA bank balance in the Page Division was undercollected by

1 \$127,367. Projections indicate that these PGA bank balances will grow substantially through the
2 winter 2000 heating season.

3 7. The proposed PGA surcharges would enable BMG to recover a greater percentage of its
4 natural gas costs on a timely basis and therefore would reduce the undercollected bank balances BMG
5 is likely to experience through the winter of 2000-2001 and beyond.

6 8. Given current natural gas market conditions it is highly likely that natural gas prices will
7 remain at unusually high levels through at least the spring of 2001.

8 9. BMG's proposed PGA surcharges of \$0.10 for the Cave Creek Division and \$0.14 per
9 therm for the Page Division appear to be a reasonable step in addressing the problem of high natural
10 gas prices.

11 10. Staff has recommended approval of the filing.

12 CONCLUSIONS OF LAW

13 1. BMG is an Arizona public service corporation within the meaning of Article XV,
14 Section 2, of the Arizona Constitution.

15 2. The Commission has jurisdiction over BMG and over the subject matter of the
16 application.

17 3. The Commission, having reviewed the application and Staff's Memorandum dated
18 October 11, 2000, concludes that it is in the public interest to approve the filing.

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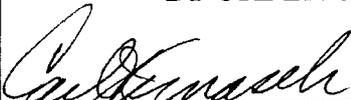
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ORDER

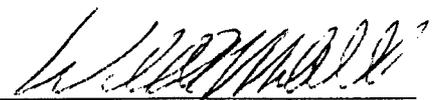
THEREFORE, IT IS ORDERED that the filing be and hereby is approved.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION


CHAIRMAN


COMMISSIONER


COMMISSIONER

IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive Secretary of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this 1st day of November, 2000.


BRIAN C. McNEIL
Executive Secretary

15 DISSENT: _____

16 DRS:BGG:jbc/

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