

ORIGINAL



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**COMPLIANCE
MEMORANDUM**

RECEIVED

2002 MAR 19 P 3:13

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

TO: Docket Control Center
FROM: Patrick C. Williams *[Signature]*
Manager, Compliance and Enforcement
Utilities Division
DATE: March 19, 2002

This Memorandum to the Docket will certify that compliance, as described below, has been met for the referenced utility.

UTILITY: Black Mountain Gas Company

DOCKET NO. G-03703A-01-0213 **DECISION NO.** 64308

EXP. REC. NO. 64308

COMPLIANCE ACTION:

File with the Commission's Utilities Division Director, within 60 days of the effective date of the Commission's Decision, fully documented and executed copies of notes, the Agreement, and any other documentation memorializing the loan advances made by Xcel to Black Mountain as part of the \$6,000,000 credit facility approved in the Commission's Decision.

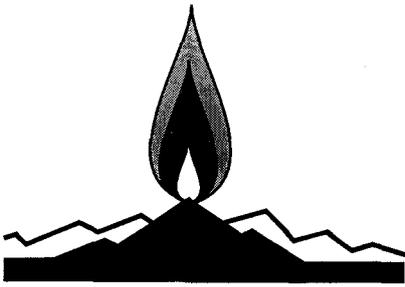
DUE DATE: 02/26/2002 **DATE COMPLIED:** 03/19/2002

Arizona Corporation Commission

DOCKETED

MAR 19 2002

DOCKETED BY *[Signature]*



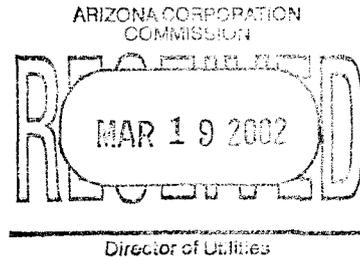
**BLACK MOUNTAIN
GAS COMPANY**

480-488-3402
FAX 480-488-1678

CAVE CREEK ROAD • P.O. BOX 427 • CAVE CREEK, ARIZONA 85327

March 18, 2002

Mr. Patrick Williams
Manager, Compliance and Enforcement
Utilities Division
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, AZ 85007



Dear Mr. Williams,

I am in receipt of your letter notifying Black Mountain Gas Company (BMG) that certain compliance requirements ordered by the Commission in Decision No. 64308 had not been met by BMG. I mistakenly assumed that all necessary information had been provided; I apologize that my assumption was incorrect. Attached are all available documents supporting the loan made by Xcel Energy Inc. to BMG.

Please contact me at (480) 488-3402 X213 if you have any comments, questions or if additional discussion regarding the financing agreement is required.

Sincerely,

John Reiber
President/CEO
Black Mountain Gas Company

BMG
 Projected Capital Expenditures
 Cave Creek
 2001

	Feet / Unit		Price per Unit / Foot	Total Cost
Meters & services (AFE 1 & 4)				
BMG Services	925 u	\$	509	\$ 470,918
Replacement projects			9	-
Boulders 4"	6,864 '		11	72,158
Boulders 2"	9,963 '		22	215,202
Boulders Service Replacement	100		309	30,910
Subdivisions & other projects				
Desert Mountain - Cochise 4"	2,250 '		13	29,768
Desert Mountain - Cochise 2"	3,750 '		12	43,725
Desert Mountain - Coshise Service	500 u		12	5,975
Desert Mountain - Saquaro Forest 6 6"	3,000 '		16	47,430
Desert Mountain - Saquaro Forest 6 2"	4,500 '		12	52,470
Desert Mountain - Saquaro Forest 6 Services	750 u		12	8,963
Desert Mountain - Saquaro Forest 8 6"	1,500 '		16	23,715
Desert Mountain - Saquaro Forest 8 2"	1,125 '		13	14,138
Desert Mountain - Saquaro Forest 8 Services	265 u		12	3,167
Desert Mountain - Saquaro Forest 7 4"	1,875 '		13	24,807
Desert Mountain - Saquaro Forest 7 2"	750 '		12	8,745
Desert Mountain - Saquaro Forest 7 Services	265 u		12	3,167
Desert Mountain - Saquaro Forest 9 4"	1,500 '		13	19,845
Desert Mountain - Saquaro Forest 9 2"	1,500 '		12	17,490
Desert Mountain - Saquaro Forest 9 Services	300 u		12	3,585
Desert Mountain - Saquaro Forest Pkwy 6"	1,875 '		16	29,644
Desert Mountain - Saquaro Forest 10 6"	3,750 '		16	59,288
Desert Mountain - Saquaro Forest 10 2"	3,000 '		12	34,980
Desert Mountain - Saquaro Forest 10 Services	675 u		12	8,066
Desert Mountain - Saquaro Forest 4 4"	2,250 '		13	29,768
Desert Mountain - Saquaro Forest 4 2"	1,500 '		12	17,490
Desert Mountain - Saquaro Forest 4 Services	375 u		12	4,482
Desert Mountain - Saquaro Forest 5 4"	2,250 '		13	29,768
Desert Mountain - Saquaro Forest 5 2"	1,500 '		12	17,490
Desert Mountain - Saquaro Forest 5 Services	375 u		12	4,482
Vista Valle 4"	2,650 '		14	37,763
Vista Valle Services	300 u		12	3,730
Vista Valle Bores	5 u		1,009	5,046
Stonehaven 1 4"	2,500 '		21	52,750
Stonehaven 2 4"	2,135 '		22	46,429
Richmond American 4"	1,380 '		14	19,665
Richmond American 2"	3,150 '		13	40,005
Richmond American Service	900 u		12	10,755
Maracay 4"	1,730 '		14	24,653
Maracay 2"	3,810 '		13	48,387
Maracay Services	850 u		12	10,158
Deer Valley CNG 6"	4,250 '		21	89,675
Deer Valley CNG Meter	1 u		3,009	3,009
Deer Valley CNG Service	1 u		1,009	1,009
Knoll's 2"	705 '		18	12,416

Knoll's Services	10	u	109	1,091
Tramonto Backbone 6"	7,980	'	21	168,378
Tramonto Backbone 4"	9,720	'	19	180,792
Tramonto Village E5 2"	3,040	'	18	54,416
Tramonto Village E5 Services	10	u	209	2,091
Tramonto Village E16 2" & 4"	2,580	'	19	48,310
Tramonto Village E16 Services	10	u	209	2,091
Tramonto Village W17 2" & 4"	4,320	'	19	83,092
Tramonto Village W17 Services	11	u	209	2,300
Tramonto Village E9 2"	1,980	'	18	35,442
Tramonto Village E9 Services	7	u	223	1,564
Tramonto Village E11 2" & 4"	2,400	'	19	44,940
Tramonto Village E11 Services	10	u	209	2,091
Tramonto Village E7 2" & 4"	2,520	'	19	47,187
Tramonto Village E7 Services	10	u	209	2,091
Tramonto Village E10 2"	1,080	'	18	19,332
Tramonto Village E10 Services	5	u	209	1,046
Tramonto Village W19 2" & 4"	2,520	'	19	47,187
Tramonto Village W19 Services	9	u	209	1,882
Tramonto Village W20 2" & 4"	3,425	'	18	61,168
Tramonto Village W20 Services	10	u	209	2,091
Estada El Questionarro	2,350	'	18	41,385
Monterey Homes 6"	2,640	'	18	47,144
	<u>130,246</u>		<u>8,638</u>	<u>2,634,191</u>

INTERCOMPANY NOTE

\$6,000,000

January 19, 2001

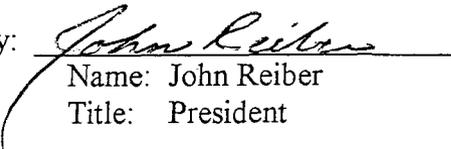
Black Mountain Gas, a Minnesota corporation, and wholly owned subsidiary of Xcel Energy Inc., a Minnesota corporation ("XCEL"), promises to pay to the order of XCEL Energy Inc. the lesser of the principal amount of \$6,000,000 or the aggregate unpaid principal amount of all loans made by XCEL, to BMG, from the date hereof to January 19, 2021, in the aggregate principal amount not to exceed \$6,000,000, at any time outstanding. The interest is to be paid monthly on the average outstanding balance for the prior month at the rate equal to the daily weighted average interest rate payable by XCEL on its notes payable to banks and/or commercial paper plus XCEL's current Facility Fee. BMG shall pay the principal of and accrued and unpaid interest on the outstanding loans in full on January 19, 2021, unless the Note is otherwise extended. Outstanding loans may also be prepaid in part or in full at any time without penalty.

XCEL, shall, and is hereby authorized to, record on the schedule attached hereto, or to otherwise record in accordance with its usual practice, the date and amount of each loan made by XCEL, to BMG, and the date and amount of each principal payment hereunder.

Xcel Energy Inc.

By: 
Name: E. J. McIntyre
Title: Vice President and Chief Financial Officer

Black Mountain Gas Company

By: 
Name: John Reiber
Title: President

PROPOSED SCHEDULE OF LOANS AND PAYMENTS OF PRINCIPAL & INTEREST

Loans from Xcel Energy Inc. to Black Mountain Gas Company

DATED _____

Date	Principal Amount of Loan	Amount of Principal Payment	Estimated Interest Payments	Unpaid Principal Balance	Endorsement Made By
1/19/01	\$ 3,518,913			\$ 3,518,913	
9/30/01	1,000,000			4,518,913	
12/31/01		210,946	200,946	4,307,967	
6/30/02	1,481,087			5,789,054	
12/31/02		304,687	252,426	5,484,367	
3/31/03				5,484,367	
12/31/03		304,687	274,218	5,179,680	
12/31/04		304,687	284,882	4,874,993	
12/31/05		304,687	268,125	4,570,306	
12/31/06		304,687	251,367	4,265,619	
12/31/07		304,687	234,609	3,960,932	
12/31/08		304,687	234,609	3,656,245	
12/31/09		304,687	201,093	3,351,558	
12/31/10		304,687	184,336	3,046,870	
12/31/11		304,687	167,578	2,742,183	
12/31/12		304,687	150,820	2,437,496	
12/31/13		304,687	134,062	2,132,809	
12/31/14		304,687	117,305	1,828,122	
12/31/15		304,687	100,547	1,523,435	
12/31/16		304,687	83,789	1,218,748	
12/31/17		304,687	67,031	914,061	
12/31/18		304,687	50,273	609,374	
12/31/19		304,687	33,516	304,687	
12/31/20		304,687	16,758	(0)	
	\$ 6,000,000	6,000,000			

Note: This is a planned schedule of payments. The schedule could change due to the variability of the interest rate and the ability for early payments without penalty. Further, the principal and interest payments are represented annually. Re-payments may be made quarterly or monthly depending on cash flows.

**WRITTEN CONSENT RESOLUTION
OF THE BOARD OF DIRECTORS OF
BLACK MOUNTAIN GAS COMPANY**

The undersigned, being all of the members of the Board of Directors of Black Mountain Gas Company, a Minnesota corporation (the "Company"), do hereby adopt, pursuant to the provisions of Section 302A.239 and 302A.011, Subd. 36; of the Minnesota Business Corporation Act and the Bylaws of the Company, the following resolutions, effective as of December 27, 2000:

Intra-System Financings and Guaranties

WHEREAS, the Company desires to finance certain subsidiaries and affiliates, and, singularly or with certain of its subsidiaries, to enter into guaranties, obtain letters of credit, enter into expense agreements or otherwise provide credit support with respect to obligations of its subsidiaries and affiliates as may be appropriate to enable such subsidiaries to carry on in the ordinary course of their respective businesses (collectively, "Intra-System Financings and Guaranties"); and

WHEREAS, it is proposed that Intra-System Financings and Guaranties include (i) loans by the Company to any of its subsidiaries and affiliates for the benefit of such subsidiaries and affiliates having maturities not to exceed forty years (the "Loans"); and (ii) guaranties, letters of credit, expense agreements or other credit support to the obligations of its subsidiaries and affiliates (the "Other Credit Support").

RESOLVED, that this Board determines that it is in the best interest of the Company and its shareholders to authorize and the Board does hereby authorize Intra-System Financings and Guaranties, including Loans and Other Credit Support, in an aggregate principal amount not to exceed \$6 million outstanding at any one time or such lesser amount as may be authorized by the appropriate regulatory authorities.

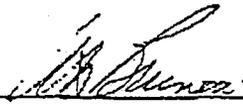
RESOLVED FURTHER, subject to compliance with all required regulatory approvals and the aforementioned limitations, the proper officers of the Company be, and each of them hereby is, authorized and directed, for and on behalf of the Company, to execute and deliver any agreements, instruments, reports, schedules, statements, consents, documents and information necessary to effect the Intra-System Financings and Guaranties, including Loans and Other Credit Support, the execution thereof by any such proper officers conclusively to evidence the due authorization and approval of such agreements, instruments, reports, schedules, statements, consents, documents and information by this Board.

RESOLVED FURTHER, that the proper officers of the Company be, and each of them hereby is, authorized and directed, on behalf of and in the name of the Company, to prepare, sign and file, or cause to be filed, all applications, requests for approval, consents, interpretations or other determinations, notices and other information and documents, and any modifications or supplements thereto, as may be necessary or convenient in order to carry out the foregoing resolutions, the transactions contemplated thereby and the transactions relating thereto, together with all agreements and other information and documents required or appropriate, and any publications required, in connection therewith.

RESOLVED FURTHER, that the proper officers of the Company are authorized, directed and empowered to do any and all other acts and things necessary or in their judgment advisable in order to carry out the foregoing resolutions, including (but not limited to) the negotiation, execution, delivery and filing of any and all agreements, written instruments, notes or other obligations of the Company which shall be necessary or desirable in order to carry out and fulfill the spirit and intent of the foregoing resolutions and consummate the transactions contemplated thereby.

RESOLVED FURTHER, that all action heretofore taken by any of the officers, representatives or agents of the Company or any of its affiliates in connection with the Intra-System Financings and Guaranties and any other transactions referred to in the foregoing resolutions be, and each of the same hereby is, ratified, confirmed and approved in all respects as the act and deed of the Company.

The undersigned consent and agree to the foregoing action for the adoption of said resolutions with the same force and effect as though said resolutions had been adopted by the unanimous action of all members at a regular meeting of the Board, duly called, held and convened according to law and the Bylaws of the Company.



Wayne H. Brunetti



Richard C. Kelly



Edward J. McIntyre

BLACK MOUNTAIN GAS COMPANY
TOTAL DIVISION
31-Dec-00

ASSETS

UTILITY PLANT

GAS PLANT 21,515,676
ACCUM. DEPR. UTILITY 5,344,273

NET PLANT IN SERVICE 16,171,403

WORK IN PROGRESS 445,980

TOTAL PLANT IN SERVICE 16,617,383

OTHER PROP & INVESTMENTS

NON UTILITY PLANT 920,942
ACCUM. DEPR. OTHER PROP 509,009

NET NON UTILITY PLANT 411,933

BOND SINKING FUND 10
UNAMORTIZED DEBT COST 57,429
DEFERRED GAS COST 506,033

TOTAL OTHER PROPERTY 975,405

CURRENT ASSETS

CASH 251,150
SHORT TERM INVESTMENTS 8,032
ACCOUNTS RECEIVABLE (NET) 1,476,776
INVENTORIES 622,490
OTHER CURRENT ASSETS 144,819

TOTAL CURRENT ASSETS 2,503,267

TOTAL ASSETS 20,096,055

OWNERS' EQUITY

COMMON STOCK 3,634,193
TREASURY STOCK (1,746)
RETAINED EARNINGS 6,326,123
CURRENT YEAR INCOME 1,311,326

TOTAL OWNERS' EQUITY 11,269,896

LONG-TERM BONDS	3,000,000
DEFERRED TAX & OTHER LIABILITIES	1,476,782
CURRENT LIABILITIES	
ACCOUNTS PAYABLE	478,196
ACCRUED EXPENSES	376,031
SHORT TERM LOAN	0
LINE OF CREDIT	1,806,094
ACCRUED VACATION	102,987
CUSTOMER DEPOSITS	216,117
INCOME TAXES	(84,887)
OTHER TAXES	284,291
MISC. CURRENT LIABILITIES	1,170,548
TOTAL CURRENT LIABILITIES	<u>4,349,377</u>
TOTAL LIABILITIES	<u>8,826,159</u>
TOTAL LIABILITIES & OWNERS' EQUITY	<u>20,096,055</u>

Doc.#1156755

BLACK MOUNTAIN GAS COMPANY
TOTAL DIVISION
Year Ended December 31, 2000

REGULATED GAS SALES	6,507,800
REGULATED SERVICE	55,506
MERCHANDISE SALES	375,223
NON REGULATED GAS	775,420
NON UTILITY SALES	48,711
TOTAL SALES	7,762,660
REGULATED GAS COSTS	2,125,679
SERVICE CALL COSTS	910
MERCHANDISE COSTS	106,803
NON REGULATED GAS COSTS	488,635
OTHER COSTS OF SALES	3,567
TOTAL COST OF SALES	2,725,594
TOTAL GROSS MARGIN	5,037,066
DISTRIBUTION EXP	74,339
MAINTENANCE EXP	363,158
MAINTENANCE OTHER EQUIP	57,352
CUSTOMER ACCTG.	163,935
SALES EXPENSE	180,792
PAYROLL & PAYROLL TAXES	
PAYROLL (GROSS)	1,486,380
PAYROLL TAXES	103,206
TOTAL PAYROLL	1,589,586
PAYROLL COST CAPITALIZED	(460,159)
PAYROLL COST ALLOCATED	(591,573)
PAYROLL (NET)	537,854
OFFICE SUPPLIES	40,297
SMALL TOOLS	24,671
PROFESSIONAL SERVICES	175,748
INSURANCE	33,289
BENEFITS	146,990
INCENTIVE BONUS	109,137
RENT	119,106
TELEPHONE	63,966
UTILITIES	15,709
VEHICLES	34,945
TRAVEL & ENTERTAINMENT	9,225
TAXES & LICENSES	267,595
POSTAGE	35,801

DONATIONS	12,330
INTEREST	269,629
MISCELLANEOUS	20,845
RATE CASE	46,872
DEPRECIATION	751,400
AMORTIZATION	
CORPORATE O/H	110,191
TOTAL EXPENSES	<u>3,665,176</u>
OPERATING INCOME	1,371,890
INTEREST INCOME	181,364
PRE-TAX INCOME	<u>1,553,254</u>
INCOME TAX EXPENSE	241,887
NET INCOME AFTER TAX	<u><u>1,311,367</u></u>

Doc.#1156757

BLACK MOUNTAIN GAS COMPANY
TOTAL DIVISION
Test Year Ended December 31, 2000

DESCRIPTION	12/31/00
Cash Flows From Operating Activities:	
Net Income	\$ 1,311,326
Non-Cash Adjustments	
Depreciation	751,400
AFUDC	(248,376)
Deferred Income Taxes	272,381
Amortization of Debt Costs	13,004
Total Non-Cash Adjustments	<u>788,409</u>
Change in Current Assets	202,285
Change in Current Liabilities	441,318
Change in Post-Merger Liability	(254,104)
Change in Rate Refund Provision	(696,150)
Change in Deferred Gas Cost	(173,102)
Cash Expenditures - Utility Plant	(3,585,937)
Financing Activities:	
Proceeds From Bank One Line of Credit	1,806,094
Proceeds From Long Term Debt	-
Payment of Bond Issue Costs	-
Stock Revaluation	-
Redemption of Fractional Shares	-
Treasury Stock	-
Sinking Fund Payment	-
Total Financing Activities	<u>1,806,094</u>
Increase (Decrease) in Cash & Cash Equivalents	(159,861)
Cash & Cash Equivalents - Beginning of Year	419,043
Cash & Cash Equivalents - End of Year	<u>\$ 259,182</u>

Doc.#1156767

BLACK MOUNTAIN GAS
Intercompany Loan Analysis

<i>Month</i>	<i>Bank Prime</i>	<i>IC Loan Rat</i>	<i>Difference</i>	<i>BMG IC Loan</i>	<i>Est. Savings</i>	<i>Cummulative</i>
Jan-2000	8.50%	5.96%	-2.54%			
Feb-2000	8.73%	6.05%	-2.68%			
Mar-2000	8.83%	6.13%	-2.70%			
Apr-2000	9.00%	6.27%	-2.73%			
May-2000	9.24%	6.60%	-2.64%			
Jun-2000	9.50%	6.88%	-2.62%			
Jul-2000	9.50%	6.90%	-2.60%			
Aug-2000	9.50%	6.86%	-2.64%			
Sep-2000	9.50%	6.79%	-2.71%			
Oct-2000	9.50%	6.76%	-2.74%			
Nov-2000	9.50%	6.83%	-2.67%			
Dec-2000	9.50%	6.96%	-2.54%			
Jan-2001	9.05%	6.63%	-2.42%	\$3,518,913.36	-\$2,797.16	-\$2,797.16
Feb-2001	8.50%	6.12%	-2.38%	\$3,518,913.36	-\$6,965.10	-\$9,762.26
Mar-2001	8.32%	5.71%	-2.61%	\$3,518,913.36	-\$7,660.38	-\$17,422.64
Apr-2001	7.80%	5.36%	-2.44%	\$3,518,913.36	-\$7,156.59	-\$24,579.23
May-2001	7.24%	4.62%	-2.62%	\$3,518,913.36	-\$7,693.52	-\$32,272.75
Jun-2001	6.98%	4.27%	-2.71%	\$3,518,913.36	-\$7,958.02	-\$40,230.77

-2.61% <= Avg. Difference 1/2000 - 6/2001

KEY

- Bank Prime Rate - Federal Reserve Statistical Release H. 15
- IC Loan Rate - Actual InterCompany Loan Rate
- Difference - IC Loan Rate less Bank Prime
- BMG IC Loan - Borrowing beginning 1/19/01
- Est. Savings - Based on average monthly BMG IC Loan time Difference
- Cummulative Savings - Sum of Est. Monthly Savings

C:\WINDOWS\TEMP\ [BMG IC Loan.xls] Sheet2

John Lentz
Sr. Cash Mngt Analyst
8/2/01

**Black Mountain Gas
Plant Additions
December 31, 2000
Cave Creek**

	Dec-99	Additions	Retirements	Dec-00
03010 Intangible Plant - Organization	628,561.87	1,228.99		629,790.86
03013 AFUDC - Debt	21,931.89	20,553.00		42,484.89
03016 AFUDC - Equity	554,217.40	119,114.00		673,331.40
03020 Franchises and Consents	286,862.81	873.50		287,736.31
03030 Misc. Intangible Plant	5,833.18	-		5,833.18
03600 Storage Plant - Land	4,134.65	-		4,134.65
03740 Dist. Land & Rights	1,767.50	-		1,767.50
03760 Distribution Mains	8,660,801.38	2,118,818.30		11,197,190.68
03780 Dist. Measuring & Reg.	189,902.99	-		189,902.99
03800 Distribution Services	2,254,728.97	-		2,254,728.97
03810 Distribution Meters	808,719.52	417,571.00		808,719.52
03820 Dist. Meter Installations	363,127.90	-		363,127.90
03830 Dist. House Regulators	19,154.32	-		19,154.32
03840 House Regulator Install	55,837.48	-		55,837.48
03850 Indus. Meas. & Regulator	971.23	-		971.23
03860 Dist. Prop On Cust Prem.	245.00	-		245.00
03870 Dist. Other Equipment	3,873.51	-		3,873.51
03880 Interest Capitalized	1,985.53	-		1,985.53
03890 General Land and Rights	502,044.00	-		502,044.00
03900 General Structure and Improvement	217,546.82	415,798.02		633,344.84
03910 Office Furniture & Equipment	578,893.31	267,552.54		846,445.85
03920 Transportation Equipment	314,029.58	26,231.03		340,260.61
03940 Tools, Shop & Garage Equip.	128,483.42	11,641.99		140,125.41
03960 Power Operated Equip.	23,116.42	-		23,116.42
03970 Communication Equip.	40,578.02	9,104.70		49,682.72
03980 Misc. Equipment	10,026.20	-		10,026.20
03990 Other Tangible Property	68,060.26	-		68,060.26
Utility Plant	15,745,435.16	3,408,487.07		19,153,922.23