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BEFORE THE ARIZONA CORPORATION COMMISSION

2006 APR 28 P 1: 22

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AZ CORP COMMISSION  
DOCUMENT CONTROL

G-02696A-06-0290

IN THE MATTER OF THE APPLICATION OF  
ENERGY WEST, INC. FOR APPROVAL OF A  
PURCHASED GAS ADJUSTOR SURCHARGE  
AND INCREASE IN PGA PER THERM BAND

DOCKET NO. G-02696A-06-\_\_\_\_\_

APPLICATION

GALLAGHER & KENNEDY, P.A.  
2575 E. CAMELBACK ROAD  
PHOENIX, ARIZONA 85016-9225  
(602) 530-8000

With this Application, Energy West, Inc. d/b/a Broken Bow Gas respectfully requests Corporation Commission approval for a purchased gas adjustor ("PGA") surcharge of \$0.3185 per therm for the Company's Payson-area propane gas distribution system and approval for an increase in the Company's PGA per therm band from \$0.16 to \$0.40.

1. Energy West, Inc. is engaged in providing propane gas distribution service within portions of Arizona. Energy West provides propane gas distribution service to customers in the Payson area. In Payson, the propane gas distribution market is unique and highly competitive. The Commission has limited jurisdiction over the propane gas industry. The Commission regulates propane companies that are also public utilities such as Energy West. But the Commission does not regulate non-public service companies that deliver and supply propane tanks to consumers in Payson. The unique aspect of the propane gas market is that Energy West faces stiff competition from non-regulated propane companies in its Payson service area.

2. For the reasons discussed below, Energy West seeks Commission authorization to increase the PGA surcharge for the Company's Payson area propane gas distribution system from the current rate of \$0.1525 per therm as authorized under Decision No. 68028 to a surcharge rate of \$0.3185 per therm. The charts and projections attached as

1 Exhibit A illustrate the need for an increased PGA surcharge. As set forth on Exhibit A,  
2 approval of the increased surcharge is necessary because of substantial increases in gas purchase  
3 prices and to allow Energy West to recover substantial undercollections in its bank balance. The  
4 surcharge would be in effect for the July 2006 billing through the June 2007 billing. The  
5 proposed tariff schedule is attached as Exhibit B.

6           3.       In Exhibit A, Energy West has provided estimated calculations of the  
7 future rolling average of the proposed PGA surcharge. The increased PGA surcharge will result  
8 in an estimated average increase to customers of \$22.60 per month for the twelve months of the  
9 surcharge.

10           4.       Even with the proposed PGA surcharge, Energy West's propane rates will  
11 be highly competitive in the prevailing market. As noted above, the Commission does not  
12 regulate non-public service companies that deliver and supply propane tanks to consumers in  
13 Arizona such as Matlock Gas and Northern Energy Company. Matlock and Northern are Energy  
14 West's principal competitors in the Payson area. Based on current prices, Northern Energy  
15 charges customers approximately \$2.31 per gallon for delivery of propane and Matlock charges  
16 customers \$2.24 per gallon for delivery of propane. With a PGA surcharge of \$0.3185, Energy  
17 West's propane service will be priced at \$2.14 per gallon--which still is below the prices of its  
18 competitors. In this highly competitive market, Energy West's customers are free to seek  
19 propane service from other providers, but, even with a PGA surcharge of \$0.3185, Energy  
20 West's average propane charges will be lower than the average prices of its competitors. It bears  
21 emphasis that there are no restrictions on the placement of propane tanks in Payson. As a result,  
22 customers can terminate service with Energy West and initiate service with another non-  
23 regulated company simply by making a phone call and paying an installation fee. The chart

1 attached as Exhibit C illustrates that Energy West's average winter prices (including the  
2 proposed PGA surcharge) will continue to be lower than the average winter prices of its  
3 competitors. Exhibit C also illustrates that the current recovery mechanism for purchased gas  
4 costs has created a large artificial subsidy from Energy West to its customers when compared to  
5 competitors in the unique circumstances of the Payson service area. Energy West believes it is  
6 imperative to resolve this situation.

7           5. Approval of this PGA surcharge application will allow Energy West to  
8 recover substantial undercollections in its PGA bank balance and will stabilize Energy West's  
9 financial condition. This surcharge Application is in the public interest because Energy West has  
10 consistently under recovered its purchased gas costs throughout implementation of its PGA  
11 surcharge. The chart attached as Exhibit D illustrates the increasing undercollections in Energy  
12 West's PGA bank balance over the last twelve months.

13           6. Energy West's PGA was recently reviewed and approved by the  
14 Commission in Decision No. 68028 dated July 29, 2005. In Decision No. 68028, the  
15 Commission approved a PGA surcharge of \$0.1525 per therm for Energy West. The PGA  
16 surcharge was intended to ameliorate the impact of volatile natural gas prices on Energy West  
17 and its customers. In reality, however, the continuing escalation of oil prices and related propane  
18 prices has resulted in continuing undercollections for purchased gas by Energy West. As set  
19 forth on Exhibit A, Energy West projects its under-collected bank balance to peak at \$1,703,296  
20 in July 2006 which substantially exceeds Energy West's PGA trigger threshold of \$120,000. An  
21 increased PGA surcharge is necessary to allow Energy West to recover its purchased gas costs.

22           7. To put that bank balance in context, Energy West maintains a \$15,000,000  
23 line of credit for company operations. As such, the under-collected bank balance of \$1,703,296

1 would constitute 11.4% of Energy West's available line of credit. That undercollection is a  
2 substantial burden on companies of Energy West's size. During the winter months, Energy West  
3 gets very close to reaching its \$15,000,000 credit limit maximum and such a large under-  
4 recovered bank balance has a substantial impact on Energy West's financial condition because it  
5 is difficult and burdensome for the Company to extend or change its line of credit. Without the  
6 requested PGA surcharge, Energy West's under-collected bank balance will continue to grow  
7 and will result in greater instability in gas rates and the need for additional PGA surcharge  
8 increases in the future.

9           8.       As set forth on Exhibit A, Energy West projects that a PGA surcharge of  
10 \$0.3185 will result in a reduction of a portion of the under-collected bank balance during the  
11 twelve months of the surcharge. With the proposed PGA surcharge in place, Energy West  
12 projects that the under-collected bank balance will be reduced from \$1,703,296 in July 2006 to  
13 \$721,895 in June 2007. If the PGA surcharge were to continue in effect until December 2007,  
14 Energy West projects that the under-collected bank balance would be reduced to \$41,571. Under  
15 these circumstances, Energy West believes that the proposed PGA surcharge is reasonable and  
16 should be approved in the public interest.

17           9.       Energy West also seeks Commission authority to increase the Company's  
18 per therm PGA band of \$0.16 per therm to \$0.40 per therm. In Decision No. 62994 dated  
19 November 3, 2000, the Commission authorized propane gas utilities to implement a \$0.16 per  
20 therm band for PGA rates. At the time the Commission issued Decision No. 62994, the price of  
21 oil was approximately \$21/barrel. During this past year, oil prices have skyrocketed to  
22 \$73/barrel. As a result, the PGA band rate of \$0.16 per therm for propane companies does not  
23 allow sufficient flexibility in the movement of the PGA rate to address gas price volatility.

1           10.     The Commission is well aware of the unprecedented increases in fuel and  
2 purchased power costs which have occurred over the past year--led by extreme volatility in the  
3 price of natural gas and oil. The primary driver in the price of propane is the price of crude oil.  
4 Historically, propane prices (in cents per gallon) have tracked at 75% of oil prices (in dollars per  
5 barrel). Today, the price for a barrel of oil is \$71.50. In turn, the historical cost relationship  
6 between oil and propane yields a price of \$1.29 per gallon for propane. When the Commission  
7 approved Energy West's surcharge of \$0.1525 last year, the price for a barrel of oil was \$55,  
8 which equates to a cost of \$0.94 per gallon of propane. The cost for propane has risen 37%  
9 during the last year. When the Commission implemented the \$0.16 per therm band in 2000, the  
10 price of oil was \$21/barrel which equates to \$0.36 per gallon of propane. As a result, the price  
11 per gallon for propane has increased over 200% since 2000.

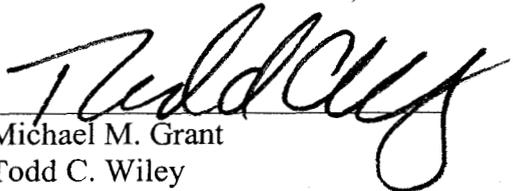
12           11.     Energy West intends to inform its customers of this filing by mailing the  
13 first bill insert attached as Exhibit E. In that bill insert, Energy West will advise customers of  
14 their rights to submit comments to the Commission and participate in the Open Meeting. Upon  
15 approval of the PGA surcharge, Energy West intends to keep its customers fully informed of this  
16 PGA surcharge by mailing the second bill insert attached as Exhibit E.

17           WHEREFORE, having fully stated its Application, Energy West respectfully  
18 requests that the Commission enter its Order authorizing Energy West to implement a PGA  
19 surcharge of \$0.3185 per therm for the twelve-month period effective July 1, 2006, approving  
20 the tariff schedule attached as Exhibit B, and increasing Energy West's PGA surcharge band to  
21 \$0.40 per therm. Energy West further requests that the Commission process this Application as  
22 expeditiously as possible and, if possible, that the matter be heard at the May 31, 2006 open  
23 meeting.

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RESPECTFULLY SUBMITTED this 28<sup>th</sup> day of April, 2006.

GALLAGHER & KENNEDY, P.A.

By 

Michael M. Grant  
Todd C. Wiley  
2575 East Camelback Road  
Phoenix, Arizona 85016-9225  
Attorneys for Energy West, Inc.

**Original and thirteen copies** filed this 28<sup>th</sup> day of April, 2006, with:

Docket Control  
Arizona Corporation Commission  
1200 West Washington  
Phoenix, Arizona 85007

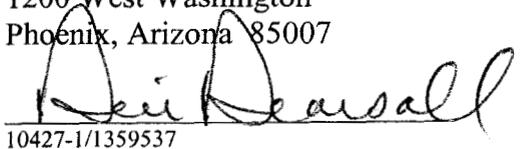
**Copies** of the foregoing delivered this 28<sup>th</sup> day of April, 2006, to:

Lyn A. Farmer  
Hearing Division  
Arizona Corporation Commission  
1200 West Washington  
Phoenix, Arizona 85007

Christopher Kempley, Legal Division  
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Phoenix, Arizona 85007

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10427-1/1359537

**EXHIBIT A**



PGA Analysis

**Surcharge Calculation #1.D**  
 Company Number G-02686A  
 Beginning Bank Balance (Unrecovered Gas Costs)

Month	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	
Totals	\$1,531,596	\$1,805,575	\$1,607,847	\$1,668,800	\$1,688,697	\$1,703,296	\$1,671,371	\$1,643,702	\$1,590,335	\$1,554,259	\$1,543,007	\$1,509,419	\$1,483,022	\$1,453,112	\$1,428,130	\$1,403,117	\$1,378,117	\$1,353,117	\$1,328,117	\$1,303,117	\$1,278,117	\$1,253,117	\$1,228,117	
Sales Gallons	664,294	546,671	462,106	233,717	118,622	4,297,023	12,032	126,003	121,527	210,773	538,668	480,400	664,294	546,671	462,106	233,717	118,622	4,297,023	12,032	126,003	121,527	210,773	538,668	480,400
Sales Terms	803,804	498,746	400,316	200,582	118,622	4,815,076	110,629	96,892	117,276	110,459	191,812	480,635	431,362	601,901	498,746	248,889	140,851	124,663	103,891	132,674	121,527	210,773	538,668	480,400
Allowed Gas Cost per Therm	0.6748	0.6248	0.6248	0.6248	0.6248	0.6446	0.6446	0.6446	0.6446	0.6446	0.6446	0.6446	0.6446	0.6446	0.6446	0.6446	0.6446	0.6446	0.6446	0.6446	0.6446	0.6446	0.6446	0.6446
Calculated Surcharge per Therm	0.1525	0.1525	0.1525	0.1525	0.1525	0.1525	0.1525	0.1525	0.1525	0.1525	0.1525	0.1525	0.1525	0.1525	0.1525	0.1525	0.1525	0.1525	0.1525	0.1525	0.1525	0.1525	0.1525	0.1525
Total Gas cost per Therm	0.8273	0.7773	0.7773	0.7773	0.7773	0.7971	0.7971	0.7971	0.7971	0.7971	0.7971	0.7971	0.7971	0.7971	0.7971	0.7971	0.7971	0.7971	0.7971	0.7971	0.7971	0.7971	0.7971	0.7971
Allowed Gas Cost	\$233,742	\$274,252	\$274,252	\$274,252	\$274,252	\$274,252	\$274,252	\$274,252	\$274,252	\$274,252	\$274,252	\$274,252	\$274,252	\$274,252	\$274,252	\$274,252	\$274,252	\$274,252	\$274,252	\$274,252	\$274,252	\$274,252	\$274,252	\$274,252
Projected Gas Cost per Therm	1.412	1.285	1.285	1.285	1.285	1.460	1.460	1.460	1.460	1.460	1.460	1.460	1.460	1.460	1.460	1.460	1.460	1.460	1.460	1.460	1.460	1.460	1.460	1.460
Projected amount to be Under or (Over) collected	\$252,501	\$27,065	\$95,829	\$25,159	\$10,122	\$7,872,890	\$163,643	\$41,624	\$18,277	\$11,857	\$28,573	\$29,457	\$29,457	\$29,457	\$29,457	\$29,457	\$29,457	\$29,457	\$29,457	\$29,457	\$29,457	\$29,457	\$29,457	\$29,457

Beginning Bank Balance for July 1, 2005 \$ (1,703,296)  
 Projected amount to be Under or (Over) collected \$ (1,702,890)  
 Projected Ending Bank Balance \$ (71)

12 months Rolling PGA Average Per Therm  
 Feb-04 \$0.2005  
 Mar-04 \$0.2516  
 Apr-04 \$0.2653  
 May-04 \$0.2722  
 Jun-04 \$0.2791  
 Jul-04 \$0.2860  
 Aug-04 \$0.2929  
 Sep-04 \$0.2998  
 Oct-04 \$0.3067  
 Nov-04 \$0.3136  
 Dec-04 \$0.3205  
 Jan-05 \$0.3274  
 Feb-05 \$0.3343  
 Mar-05 \$0.3412  
 Apr-05 \$0.3481  
 May-05 \$0.3550

Surcharge: \$ 0.3185  
 PGA Window of Change: \$ 0.4000

Month	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07
Total	\$3,378,465	\$3,378,465	\$3,378,465	\$3,378,465	\$3,378,465	\$3,378,465	\$3,378,465	\$3,378,465	\$3,378,465	\$3,378,465	\$3,378,465	\$3,378,465	\$3,378,465	\$3,378,465	\$3,378,465	\$3,378,465	\$3,378,465	\$3,378,465

Month	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07
Per Therm	\$0.3000	\$0.3000	\$0.3000	\$0.3000	\$0.3000	\$0.3000	\$0.3000	\$0.3000	\$0.3000	\$0.3000	\$0.3000	\$0.3000	\$0.3000	\$0.3000	\$0.3000	\$0.3000	\$0.3000	\$0.3000

Month	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07
PGA Surcharge	\$0.0399	\$0.0399	\$0.0399	\$0.0399	\$0.0399	\$0.0399	\$0.0399	\$0.0399	\$0.0399	\$0.0399	\$0.0399	\$0.0399	\$0.0399	\$0.0399	\$0.0399	\$0.0399	\$0.0399	\$0.0399

Month	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07
PGA Surcharge Total	\$1,329	\$1,329	\$1,329	\$1,329	\$1,329	\$1,329	\$1,329	\$1,329	\$1,329	\$1,329	\$1,329	\$1,329	\$1,329	\$1,329	\$1,329	\$1,329	\$1,329	\$1,329

Month	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07
Per Therm	\$1,291	\$1,291	\$1,291	\$1,291	\$1,291	\$1,291	\$1,291	\$1,291	\$1,291	\$1,291	\$1,291	\$1,291	\$1,291	\$1,291	\$1,291	\$1,291	\$1,291	\$1,291

Month	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07
Total	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500

Month	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07
Per Therm	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500

Month	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07
Total	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500

Month	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07
Per Therm	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500

Month	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07
Total	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500

Month	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07
Per Therm	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500

Month	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07
Total	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500

Month	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07
Per Therm	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500

Month	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07
Total	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500

Month	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07
Per Therm	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500

Month	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07
Total	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500

Month	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07
Per Therm	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500

Month	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07
Total	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500

Month	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07</
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Projected  
 Bank Balance #4.0  
 Company Number G-02696A

date	Bank Balance	Purchase	total to be recovered	sales terms	base cost recovery	pga rate	pga recovery	total recovered	surcharge rate	surcharge	total	interest	ending balance
Feb-06	1,533,595	852,531	2,386,126	603,904	0.6248	0.5205	314,332	691,651	0.1525	92,095	783,747	3,195	1,605,575
Mar-06	1,605,575	702,085	2,307,659	498,746	377,319	0.5722	285,382	596,999	0.1525	76,059	673,058	3,345	1,637,947
Apr-06	1,637,947	592,928	2,230,875	420,516	262,739	0.5722	240,620	503,358	0.1525	64,129	567,487	3,412	1,666,800
May-06	1,666,800	293,159	1,959,959	203,582	127,198	0.5722	116,490	243,688	0.1525	31,046	274,735	3,473	1,688,697
Jun-06	1,688,697	170,122	1,858,819	116,522	72,803	0.5876	68,468	141,271	0.1525	17,770	159,041	3,518	1,703,296
Jul-06	1,703,296	160,643	1,863,939	110,029	68,746	0.8391	92,326	161,072	0.3185	35,044	196,116	3,549	1,671,371
Aug-06	1,671,371	141,608	1,812,979	96,992	60,600	0.8420	81,667	142,267	0.3185	30,892	173,159	3,482	1,643,302
Sep-06	1,643,302	178,377	1,821,679	117,276	73,274	0.8481	99,462	172,736	0.3185	37,352	210,088	3,424	1,615,014
Oct-06	1,615,014	171,257	1,786,272	110,489	69,033	0.8551	94,479	163,512	0.3185	35,191	198,703	3,365	1,590,933
Nov-06	1,590,933	306,579	1,897,512	191,612	119,719	0.8619	155,150	284,869	0.3185	61,028	345,898	3,314	1,554,929
Dec-06	1,554,929	789,922	2,344,851	490,635	306,549	0.8790	431,268	737,817	0.3185	156,267	894,084	3,239	1,454,007
Jan-07	1,454,007	1,029,152	2,483,159	631,382	394,487	0.9205	581,187	975,674	0.3185	201,095	1,176,769	3,029	1,309,419
Feb-07	1,309,419	996,442	2,305,861	603,904	377,319	0.9205	555,894	933,213	0.3185	192,343	1,125,556	2,728	1,183,032
Mar-07	1,183,032	807,968	1,991,000	498,746	311,616	0.9722	484,881	796,497	0.3185	158,851	955,347	2,465	1,038,117
Apr-07	1,038,117	707,022	1,745,140	462,106	288,724	0.9722	449,259	737,983	0.3185	147,181	885,164	2,163	862,138
May-07	862,138	340,050	1,202,188	223,717	139,778	0.9722	217,498	357,276	0.3185	71,254	428,530	1,796	775,454
Jun-07	775,454	192,069	967,523	128,046	80,003	0.9876	126,458	206,461	0.3185	40,783	247,244	1,616	721,895
Jul-07	721,895	169,995	891,890	113,330	70,309	1.2391	140,428	211,236	0.3185	36,096	247,332	1,504	646,062
Aug-07	646,062	149,852	795,914	99,901	62,418	1.2420	124,077	186,496	0.3185	31,819	218,314	1,346	578,946
Sep-07	578,946	188,439	767,385	120,794	75,472	1.2481	150,763	226,235	0.3185	38,473	264,708	1,206	503,883
Oct-07	503,883	180,947	684,830	113,803	71,104	1.2551	142,835	213,939	0.3185	36,246	250,185	1,050	435,694
Nov-07	435,694	323,671	759,365	197,360	123,311	1.2619	249,049	372,359	0.3185	62,859	435,219	908	325,054
Dec-07	325,054	838,887	1,163,941	505,354	315,745	1.2790	646,348	962,093	0.3185	160,955	1,123,048	677	41,571

**EXHIBIT B**

Rate Rider  
 Calculation #2.0  
 Company Number G-02696A  
 Energy West Inc.  
 Energy West - Arizona Division

Attachment 2.0  
 Sheet No. 1.1

SPECIAL RATE RIDER  
 PURCHASED GAS ADJUSTMENT (PGA) TO RATES  
 RATE RIDER NO. 1.1

**APPLICABILITY**

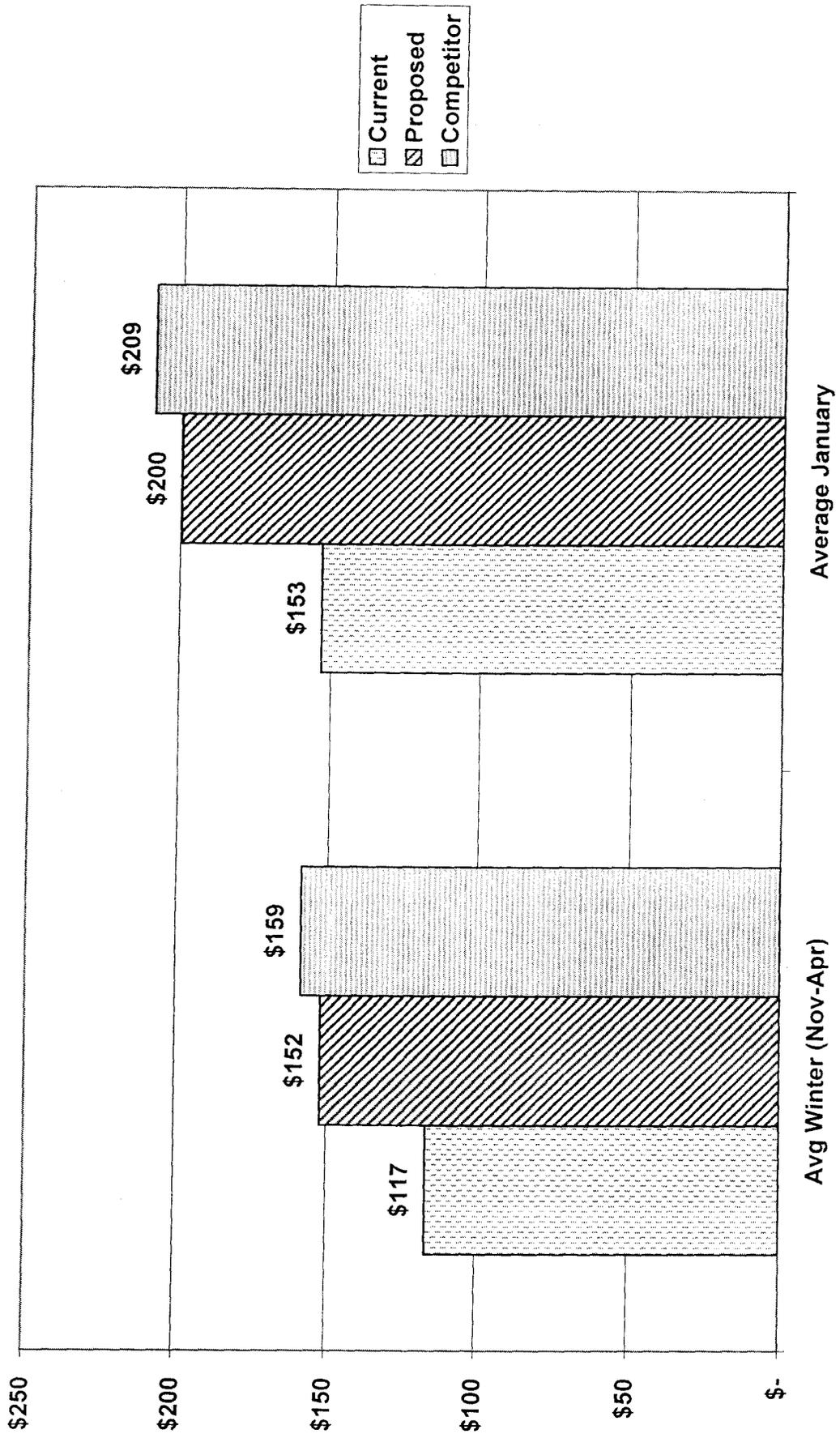
Applicable to all utility therm sales within the company's certificated area.

Month / Date	Rate Schedule	Effective Date	PGA This Period	PGA Last Period A B	Change =A - B	Surcharge	
January-06	All	1/1/2006	\$0.5205	\$0.4790	\$0.0415	\$0.1525	25
February-06	All	2/1/2006	\$0.5205	\$0.5205	\$0.0000	\$0.1525	26
March-06	All	3/1/2006	\$0.5722	\$0.5205	\$0.0517	\$0.1525	27
April-06	All	4/1/2006	\$0.5722	\$0.5722	\$0.0000	\$0.1525	28
May-06	All	5/1/2006	\$0.5722	\$0.5722	\$0.0000	\$0.1525	29
June-06	All	6/1/2006	\$0.5876	\$0.5722	\$0.0154	\$0.1525	30
July-06	All	7/1/2006	\$0.8391	\$0.5876	\$0.2515	\$0.3185	31
August-06	All	8/1/2006	\$0.8420	\$0.8391	\$0.0029	\$0.3185	32
September-06	All	9/1/2006	\$0.8481	\$0.8420	\$0.0061	\$0.3185	33
October-06	All	10/1/2006	\$0.8551	\$0.8481	\$0.0070	\$0.3185	34
November-06	All	11/1/2006	\$0.8619	\$0.8551	\$0.0068	\$0.3185	35
December-06	All	12/1/2006	\$0.8790	\$0.8619	\$0.0171	\$0.3185	36
January-07	All	1/1/2007	\$0.9205	\$0.8790	\$0.0415	\$0.3185	37
February-07	All	2/1/2007	\$0.9205	\$0.9205	\$0.0000	\$0.3185	38
March-07	All	3/1/2007	\$0.9722	\$0.9205	\$0.0517	\$0.3185	39
April-07	All	4/1/2007	\$0.9722	\$0.9722	\$0.0000	\$0.3185	40
May-07	All	4/2/2007	\$0.9722	\$0.9722	\$0.0000	\$0.3185	41
June-07	All	5/1/2007	\$0.9876	\$0.9722	\$0.0154	\$0.3185	42
July-07	All	6/1/2007	\$1.2391	\$0.9876	\$0.2515	\$0.3185	43
August-07	All	7/1/2007	\$1.2420	\$1.2391	\$0.0029	\$0.3185	44
September-07	All	8/1/2007	\$1.2481	\$1.2420	\$0.0061	\$0.3185	45
October-07	All	9/1/2007	\$1.2551	\$1.2481	\$0.0070	\$0.3185	46
November-07	All	10/1/2007	\$1.2619	\$1.2551	\$0.0068	\$0.3185	47
December-07	All	11/1/2007	\$1.2790	\$1.2619	\$0.0171	\$0.3185	48

Effective Date: 07/01/06  
 Issued by Douglas R. Mann, Vice President and General Manager  
 Decision

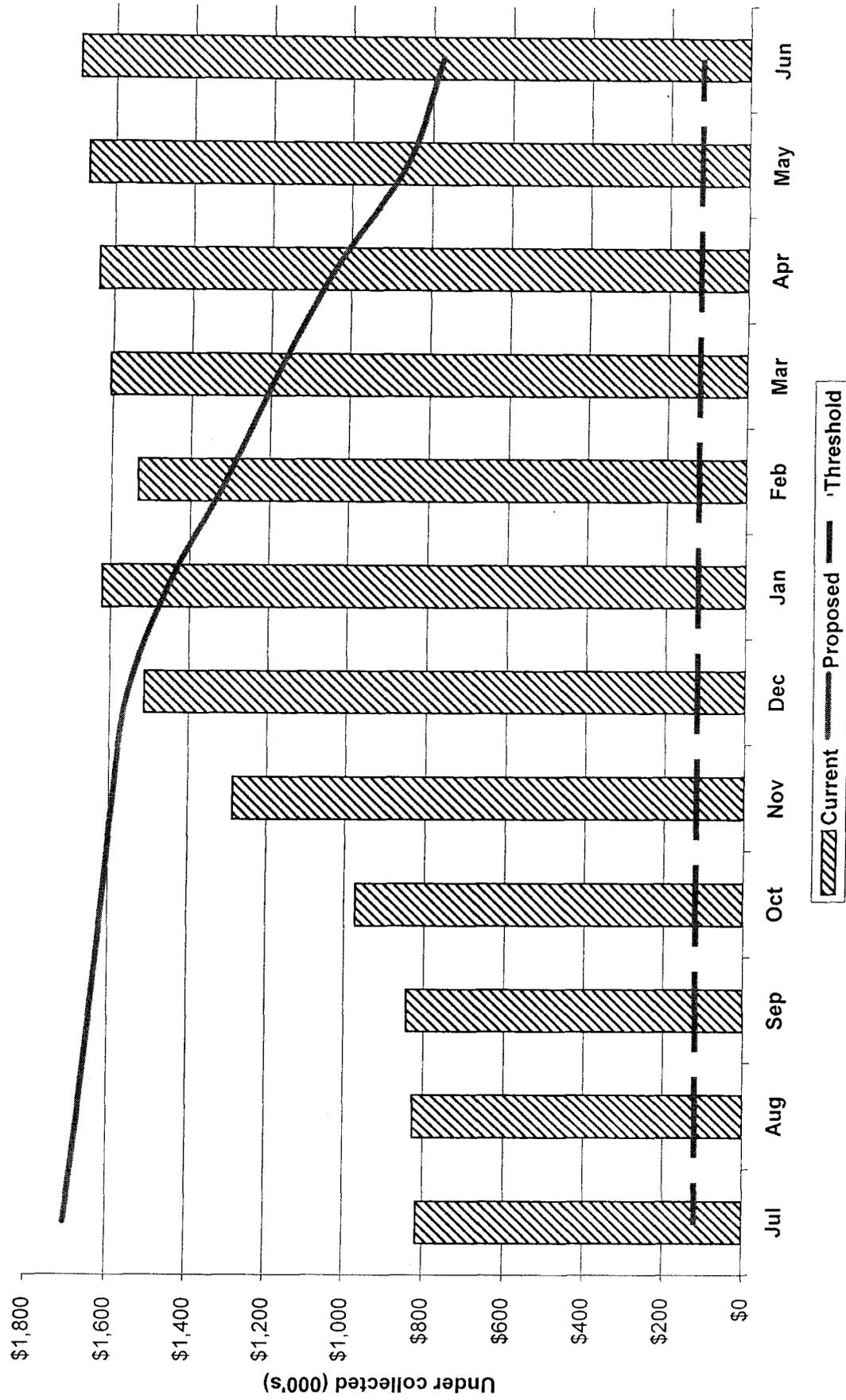
**EXHIBIT C**

# Energy West (Broken Bow) Customer Energy Costs



**EXHIBIT D**

# Energy West (Broken Bow) Bank Balance



**EXHIBIT E**

## **Energy West Underground Utility Customers:**

This past year, the price of a gallon of propane delivered to tanks increased to over:

**\$2.30 per gallon.**

Your

**Underground Utility Gas service with Energy West** with all fuel adjusters

was delivered at:

**\$1.62 per gallon.**

Energy West is now appearing before the AZ Corporation Commission (ACC) to ask for an increase to our current PGA Fuel Adjuster.\*\*

This increase would increase your gas bill over the next year by about \$23 per month.

This increase will price your underground service at:

**\$2.14 per Gallon.**

The ACC would like your input regarding this increase request.

Please call the Commission at 1/800-222-7000

or attend the Open meeting held at the:

**Hearing Room**

**Arizona Corporation Commission (ACC)**

1200 West Washington Street, 1st Floor  
Phoenix, Arizona 85007

**Date: xx/xx/xxxx Hearings on the docket start at 10:00 am**

\*\* Gas and electric utilities under the regulation of the ACC enact fuel adjusters to mitigate the impact on energy consumers of volatility of wholesale energy costs.

# **ENERGY WEST**

*Local People, Serving the West*

## **Energy West Underground Utility Customers:**

**Energy West has filed for and was approved for a Fuel Adjuster Increase.**

**This will increase your gas bill over the next year by about \$22 per month.**

**This increase will be for gas used in July 2006 through June 2007.**

**Thus, your gas tariff per therm during this period will be:**

<b>Basic Service Charge:</b>	<b>\$5.00</b>
<b>Energy Delivery Service Charge:</b>	<b>\$1.1915 per therm used</b>
<b>Energy Supply Adjustment:</b>	
<b>Purchased Gas Adjuster (PGA):</b>	<b>\$ .8391 per therm used</b>
<b>Fuel Surcharge**:</b>	<b>\$ .3185 per therm used</b>
	<b>=====</b>
<b>In Therms</b>	<b>= \$2.35 per therm used</b>
<b>In Gallons</b>	<b>= \$2.14 per gallon used</b>

**Note:** In these times of high energy prices, our staff will be happy to work with you to provide energy saving tips and conservation ideas. Call us!

In Gila county, low income assistance for gas energy is provided by the Community Action Program (CAP).

### **Glossary of Terms**

<b>Basic Service Charge:</b>	The minimum charge for having service available, whether you used gas or not.
<b>Energy Delivery Service Charge:</b>	Energy usage charges, plus costs of plant and delivery of the gas to your home.
<b>Energy Supply Adjustment:</b>	An adjustment mechanism designed by the ACC to mitigate large fluctuations in gas costs.
<b>Purchased Gas Adjuster (PGA)</b>	
<b>Fuel Surcharge:</b>	Adjusts monthly based upon a rolling 12-month average of gas costs. Adjusted for a one-year period with ACC approval.

**\*\* Gas and electric utilities under the regulation of the ACC enact fuel adjusters to mitigate the impact on energy consumers of volatility of wholesale energy costs.**