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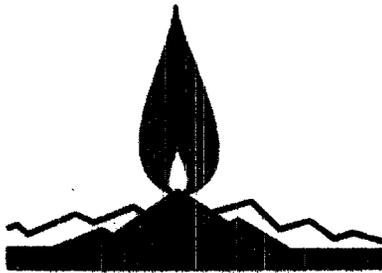
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**BLACK MOUNTAIN  
GAS COMPANY**

CAVE CREEK ROAD • P.O. BOX 1077 • CAVE CREEK, ARIZONA 85327  
DOCUMENT CONTROL

James H. Willson, President/CEO

February 2, 2001

DOCKET NO. G00000C-98-0568

Ms. Deborah Scott, Director  
Utilities Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

Arizona Corporation Commission  
**DOCKETED**

FEB 07 2001

DOCKETED BY

Dear Ms. Scott:

In Decision No. 61225, the Commission approved revisions to the PGA mechanisms for Arizona natural gas companies (LDCs) to address the issues of natural gas price volatility, gas cost recovery flexibility, and uniformity between PGA mechanisms. The new PGA mechanisms require LDCs to adjust rates monthly using a banded 12-month rolling average. Decision No. 61225 also required the existing PGA bank balance to be frozen and for each LDC to file for Commission approval of a rate to amortize the frozen bank balance over an appropriate period of time. Black Mountain Gas filed in response to Decision No. 61225 for Commission approval of the amortization of its PGA bank balance as of February 28, 1999 and to implement the new 12-month rolling average PGA mechanism, effective June 1, 1999, for both its Cave Creek and Page divisions. The Commission approved Black Mountain Gas's filing, including an amortization rate of \$.026 per therm for Cave Creek, and \$.06 for Page, to be collected until such time as the frozen bank balance is fully amortized. Based on Black Mountain Gas's current projections, the balance in these accounts will be fully amortized by the end of March, 2001 and, January, 2002 for Cave Creek and Page, respectively, at which time Black Mountain Gas is required to remove the amortization rates from its billing system.

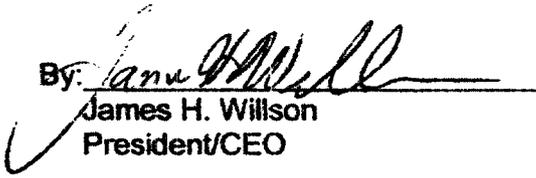
Black Mountain Gas believes that the revised PGA mechanisms approved by the Commission in Decision No. 61225 is accomplishing to a large extent the Commission's goals of providing customers with greater price stability and more timely price signals. Unfortunately, natural gas prices have risen to all-time

record highs this winter and are projected to stay at levels far above the gas cost rates reflected in the currently effective banded 12-month rolling average PGA rate. Under current projections of natural gas prices and forecasted monthly rate adjustments under the presently effective PGA mechanism, Black Mountain Gas's PGA bank balance is estimated to be an under-collection of \$1,750,000 for Cave Creek and \$237,000 for Page by March, 2001.

Pursuant to Decision No. 61225, Black Mountain Gas is required to file within 45 days to adjust rates (or explain why a rate adjustment is not necessary) when its PGA bank balance reaches the agreed upon ceilings. Thus, under the current circumstances, Black Mountain Gas is requesting to replace the current surcharges of \$.10 per therm for Cave Creek and \$.14 for Page per therm with surcharges of \$.20 per therm and \$.21 per therm for Cave Creek and Page respectively, for one year ending March 31, 2002.

Respectfully submitted,

Black Mountain Gas

By:   
James H. Willson  
President/CEO

BLACK MOUNTAIN GAS CO  
PAGE OPERATION - PGA  
PROJECTED BANK BALANCES

DESCRIPTION	DEC 00	JAN 01	FEB 01	MAR 01	APR 01	MAY 01	JUN 01	JUL 01	AUG 01	SEP 01	OCT 01	NOV 01	DEC 01	TOTAL
ROLLING BANK BALANCE:														
Beginning Balance	\$ (183,091)	\$ (188,808)	\$ (250,614)	\$ (289,758)	\$ (286,081)	\$ (259,351)	\$ (248,045)	\$ (238,803)	\$ (224,855)	\$ (210,617)	\$ (197,808)	\$ (180,119)	\$ (146,759)	(183,091)
Cost of Purchased Gas	\$ 122,110	\$ 183,458	\$ 121,889	\$ 113,285	\$ 57,977	\$ 43,491	\$ 37,275	\$ 39,212	\$ 44,950	\$ 40,572	\$ 61,781	\$ 94,781	\$ 116,397	1,076,187
Sales - Therms	\$ 196,941	\$ 175,871	\$ 135,433	\$ 151,046	\$ 77,303	\$ 62,129	\$ 53,250	\$ 54,889	\$ 64,214	\$ 57,899	\$ 71,931	\$ 131,654	\$ 161,849	1,353,970
Cost of Gas - Per Therm	\$ 0.7781	\$ 1.0000	\$ 0.9000	\$ 0.7500	\$ 0.7500	\$ 0.7000	\$ 0.7000	\$ 0.7000	\$ 0.7000	\$ 0.7000	\$ 0.5087	\$ 0.7200	\$ 0.5087	0.7948
Base Period Cost	\$ 0.5087	\$ 0.5087	\$ 0.5087	\$ 0.5087	\$ 0.5087	\$ 0.5087	\$ 0.5087	\$ 0.5087	\$ 0.5087	\$ 0.5087	\$ 0.5087	\$ 0.5087	\$ 0.5087	0.5087
Base Period Recovery	\$ 78,836	\$ 89,465	\$ 68,895	\$ 76,837	\$ 39,324	\$ 31,605	\$ 27,088	\$ 27,798	\$ 32,885	\$ 29,484	\$ 36,591	\$ 68,972	\$ 82,231	688,784
Rolling PGA - Per Therm	\$ 0.1007	\$ 0.1084	\$ 0.1208	\$ 0.1352	\$ 0.1493	\$ 0.1687	\$ 0.2201	\$ 0.2167	\$ 0.2207	\$ 0.2207	\$ 0.2907	\$ 0.2807	\$ 0.2807	0.18
Rolling PGA Recovery	\$ 19,804	\$ 18,713	\$ 16,893	\$ 20,421	\$ 11,841	\$ 10,481	\$ 11,720	\$ 11,839	\$ 14,172	\$ 12,792	\$ 16,753	\$ 34,322	\$ 42,142	239,133
Surcharge - Per Therm	\$ 0.1400	\$ 0.1400	\$ 0.1400	\$ 0.1400	\$ 0.2100	\$ 0.2100	\$ 0.2100	\$ 0.2100	\$ 0.2100	\$ 0.2100	\$ 0.2100	\$ 0.2100	\$ 0.2100	0.2100
Surcharge Recovery	\$ 21,872	\$ 24,822	\$ 18,961	\$ 21,146	\$ 16,234	\$ 13,047	\$ 11,183	\$ 11,464	\$ 13,486	\$ 12,171	\$ 15,109	\$ 27,847	\$ 33,948	33,948
Total Recovery	\$ 117,612	\$ 132,800	\$ 104,168	\$ 118,405	\$ 67,089	\$ 56,134	\$ 48,891	\$ 51,171	\$ 60,322	\$ 54,447	\$ 70,450	\$ 128,842	\$ 168,318	(90,398)
Over/(Under) Collected	\$ (4,488)	\$ (80,658)	\$ (17,701)	\$ (284,648)	\$ (256,980)	\$ (248,708)	\$ (236,328)	\$ (223,644)	\$ (208,483)	\$ (196,742)	\$ (178,149)	\$ (145,988)	\$ (104,827)	(14,987)
Ending Balance	\$ (187,590)	\$ (246,284)	\$ (288,315)	\$ (284,648)	\$ (256,980)	\$ (248,708)	\$ (236,328)	\$ (223,644)	\$ (208,483)	\$ (196,742)	\$ (178,149)	\$ (145,988)	\$ (104,827)	(187,590)
Interest Rate	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%
Interest Accrued	\$ (1,016)	\$ (1,350)	\$ (1,453)	\$ (1,434)	\$ (1,392)	\$ (1,336)	\$ (1,275)	\$ (1,211)	\$ (1,135)	\$ (1,056)	\$ (970)	\$ (791)	\$ (568)	0
Transfers to Frozen Bank	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0
Adjusted Ending Balance	\$ (188,606)	\$ (250,614)	\$ (289,768)	\$ (288,081)	\$ (256,351)	\$ (246,045)	\$ (238,803)	\$ (224,855)	\$ (210,617)	\$ (197,808)	\$ (180,119)	\$ (146,759)	\$ (105,395)	(188,606)

DESCRIPTION	JAN 02	FEB 02	MAR 02	APR 02	MAY 02	JUN 02	JUL 02	AUG 02	SEP 02	OCT 02	NOV 02	DEC 02	TOTAL
ROLLING BANK BALANCE:													
Beginning Balance	\$ (105,395)	\$ (74,186)	\$ (26,211)	\$ 97,512	\$ 136,433	\$ 130,244	\$ 98,331	\$ 466,771	\$ 120,522	\$ 15,128	\$ (457)	\$ 0	130,244
Cost of Purchased Gas	\$ 186,941	\$ 176,871	\$ 136,433	\$ 151,046	\$ 77,303	\$ 62,129	\$ 53,250	\$ 54,889	\$ 64,214	\$ 57,899	\$ 71,931	\$ 131,654	\$ 161,849
Sales - Therms	\$ 0.7200	\$ 0.7200	\$ 0.7200	\$ 0.7200	\$ 0.5087	\$ 0.7000	\$ 0.7000	\$ 0.7000	\$ 0.7000	\$ 0.7000	\$ 0.5087	\$ 0.7200	\$ 0.5087
Cost of Gas - Per Therm	\$ 0.5087	\$ 0.5087	\$ 0.5087	\$ 0.5087	\$ 0.5087	\$ 0.5087	\$ 0.5087	\$ 0.5087	\$ 0.5087	\$ 0.5087	\$ 0.5087	\$ 0.5087	\$ 0.5087
Base Period Cost	\$ 78,836	\$ 89,465	\$ 68,895	\$ 76,837	\$ 39,324	\$ 31,605	\$ 27,088	\$ 27,798	\$ 32,885	\$ 29,484	\$ 36,591	\$ 68,972	\$ 82,231
Base Period Recovery	\$ 0.2807	\$ 0.2808	\$ 0.2852	\$ 0.2807	\$ 0.2807	\$ 0.2807	\$ 0.2807	\$ 0.2807	\$ 0.2807	\$ 0.2807	\$ 0.2807	\$ 0.2807	\$ 0.2807
Rolling PGA - Per Therm	\$ 0.2100	\$ 0.2100	\$ 0.2100	\$ 0.2100	\$ 0.2100	\$ 0.2100	\$ 0.2100	\$ 0.2100	\$ 0.2100	\$ 0.2100	\$ 0.2100	\$ 0.2100	\$ 0.2100
Rolling PGA Recovery	\$ 40,915	\$ 48,348	\$ 39,980	\$ 46,142	\$ 23,913	\$ 20,421	\$ 21,146	\$ 21,839	\$ 27,088	\$ 24,792	\$ 31,605	\$ 61,847	\$ 77,303
Surcharge - Per Therm	\$ 0.2100	\$ 0.2100	\$ 0.2100	\$ 0.2100	\$ 0.2100	\$ 0.2100	\$ 0.2100	\$ 0.2100	\$ 0.2100	\$ 0.2100	\$ 0.2100	\$ 0.2100	\$ 0.2100
Surcharge Recovery	\$ 32,958	\$ 36,933	\$ 29,441	\$ 34,889	\$ 31,605	\$ 27,088	\$ 27,798	\$ 32,885	\$ 29,484	\$ 36,591	\$ 68,972	\$ 82,231	\$ 98,331
Total Recovery	\$ 153,708	\$ 176,748	\$ 137,315	\$ 137,315	\$ 137,315	\$ 137,315	\$ 137,315	\$ 137,315	\$ 137,315	\$ 137,315	\$ 137,315	\$ 137,315	\$ 137,315
Over/(Under) Collected	\$ (73,797)	\$ (25,078)	\$ 14,592	\$ 14,592	\$ 14,592	\$ 14,592	\$ 14,592	\$ 14,592	\$ 14,592	\$ 14,592	\$ 14,592	\$ 14,592	\$ 14,592
Ending Balance	\$ 8,50%	\$ 8,50%	\$ 8,50%	\$ 8,50%	\$ 8,50%	\$ 8,50%	\$ 8,50%	\$ 8,50%	\$ 8,50%	\$ 8,50%	\$ 8,50%	\$ 8,50%	\$ 8,50%
Interest Rate	\$ (400)	\$ (136)	\$ 79	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Interest Accrued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Transfers to Frozen Bank	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Adjusted Ending Balance	\$ (74,186)	\$ (26,211)	\$ 14,671	\$ 14,671	\$ 14,671	\$ 14,671	\$ 14,671	\$ 14,671	\$ 14,671	\$ 14,671	\$ 14,671	\$ 14,671	\$ 14,671

1992-2000-2001

BLACK MOUNTAIN GAS CO  
CAVE GREEK OPERATION - PQA  
PROJECTED BANK BALANCES

DESCRIPTION	JAN 82	JAN 81	FEB 81	MAR 81	APR 81	MAY 81	JUN 81	JUL 81	AUG 81	SEP 81	OCT 81	NOV 81	DEC 81	TOTAL
ROLLING BANK BALANCE:														
Beginning Balance	\$ (623,353)	\$ (674,778)	\$ (1,305,960)	\$ (1,531,487)	\$ (1,651,587)	\$ (1,661,487)	\$ (1,645,041)	\$ (1,486,716)	\$ (1,481,104)	\$ (1,433,735)	\$ (1,397,082)	\$ (1,365,907)	\$ (1,279,890)	\$ (822,943)
Cost of Purchased Gas	\$ 605,228	\$ 811,678	\$ 475,568	\$ 440,445	\$ 365,648	\$ 185,987	\$ 118,481	\$ 68,350	\$ 71,328	\$ 89,087	\$ 189,898	\$ 320,723	\$ 607,705	\$ 4,386,158
Cost of Gas - Per Therm	\$ 0.7181	\$ 0.9000	\$ 0.8000	\$ 0.8000	\$ 0.5500	\$ 0.5300	\$ 0.5000	\$ 0.4200	\$ 0.4200	\$ 0.4200	\$ 0.4200	\$ 0.4200	\$ 0.4200	\$ 0.5000
Base Period Cost	\$ 0.2700	\$ 0.2700	\$ 0.2700	\$ 0.2700	\$ 0.2700	\$ 0.2700	\$ 0.2700	\$ 0.2700	\$ 0.2700	\$ 0.2700	\$ 0.2700	\$ 0.2700	\$ 0.2700	\$ 0.2700
Base Period Recovery	\$ 227,574	\$ 243,503	\$ 160,505	\$ 188,200	\$ 279,223	\$ 147,307	\$ 98,508	\$ 72,894	\$ 59,915	\$ 74,833	\$ 111,888	\$ 220,508	\$ 394,623	\$ 2,284,229
Rolling PQA - Per Therm	\$ 0.0952	\$ 0.0587	\$ 0.0645	\$ 0.0735	\$ 0.1028	\$ 0.1120	\$ 0.2000	\$ 0.1222	\$ 0.1280	\$ 0.1279	\$ 0.1279	\$ 0.2000	\$ 0.1517	\$ 0.1662
Rolling PQA Recovery	\$ 0.1000	\$ 0.1000	\$ 0.1000	\$ 0.1000	\$ 0.1028	\$ 0.2000	\$ 0.2000	\$ 0.1222	\$ 0.2000	\$ 0.2000	\$ 0.2000	\$ 0.2000	\$ 0.2000	\$ 0.2000
Surcharge per Therm	\$ 46,626	\$ 53,841	\$ 36,343	\$ 0.0000	\$ 88,343	\$ 38,282	\$ 28,652	\$ 21,780	\$ 17,975	\$ 22,788	\$ 34,106	\$ 81,517	\$ 134,737	\$ 173,830
Surcharge PQA Recovery	\$ 84,287	\$ 80,188	\$ 59,446	\$ 73,407	\$ 132,983	\$ 76,148	\$ 47,295	\$ 34,540	\$ 29,831	\$ 35,636	\$ 59,333	\$ 109,009	\$ 173,830	\$ 2,380,239
Surcharge Recovery	\$ 368,388	\$ 387,631	\$ 258,283	\$ 328,233	\$ 480,828	\$ 256,735	\$ 175,844	\$ 128,834	\$ 108,421	\$ 133,257	\$ 189,438	\$ 412,831	\$ 672,880	\$ (1,061,040)
Total Recovery	\$ (246,842)	\$ (424,147)	\$ (217,216)	\$ (111,212)	\$ (114,860)	\$ (70,848)	\$ (1,487,680)	\$ (1,459,232)	\$ (1,122,011)	\$ (1,389,595)	\$ (1,357,853)	\$ (1,272,759)	\$ (1,214,408)	\$ (7,281)
Over/Under) Collected	\$ (876,185)	\$ (1,288,924)	\$ (1,523,238)	\$ (1,642,688)	\$ (1,538,717)	\$ (1,580,748)	\$ (1,487,680)	\$ (1,459,232)	\$ (1,122,011)	\$ (1,389,595)	\$ (1,357,853)	\$ (1,272,759)	\$ (1,214,408)	\$ (1,158,701)
Ending Balance	\$ 6,326	\$ 6,506	\$ 6,506	\$ 6,506	\$ 6,506	\$ 6,506	\$ 6,506	\$ 6,506	\$ 6,506	\$ 6,506	\$ 6,506	\$ 6,506	\$ 6,506	\$ 6,506
Interest Accrued	\$ (4,583)	\$ (7,036)	\$ (8,281)	\$ (8,988)	\$ (9,324)	\$ (9,592)	\$ (9,589)	\$ (7,872)	\$ (7,724)	\$ (7,827)	\$ (7,854)	\$ (6,884)	\$ (8,576)	\$ (8,576)
Adjusted Ending Balance	\$ (874,778)	\$ (1,305,960)	\$ (1,531,487)	\$ (1,651,587)	\$ (1,645,041)	\$ (1,580,312)	\$ (1,485,716)	\$ (1,461,104)	\$ (1,433,735)	\$ (1,397,082)	\$ (1,365,007)	\$ (1,279,899)	\$ (1,220,880)	\$ (1,158,701)

DESCRIPTION	JAN 82	FEB 82	MAR 82	APR 82	MAY 82	JUN 82	JUL 82	AUG 82	SEP 82	OCT 82	NOV 82	DEC 82	TOTAL
ROLLING BANK BALANCE:													
Beginning Balance	\$ (1,230,888)	\$ (1,173,188)	\$ (1,104,935)										\$ (1,230,888)
Cost of Purchased Gas	\$ 805,228	\$ 631,305	\$ 416,123										\$ 1,852,656
Cost of Gas - Per Therm	\$ 0.7000	\$ 0.7000	\$ 0.7000										\$ 0.7000
Base Period Cost	\$ 0.4200	\$ 0.4200	\$ 0.4200										\$ 0.4200
Base Period Recovery	\$ 364,008	\$ 376,783	\$ 249,874										\$ 1,090,665
Rolling PQA - Per Therm	\$ 0.1587	\$ 0.1945	\$ 0.1785										\$ 0.1785
Rolling PQA Recovery	\$ 0.2000	\$ 0.2000	\$ 0.2000										\$ 0.2000
Surcharge per Therm	\$ 134,698	\$ 148,357	\$ 108,111										\$ 390,166
Surcharge PQA Recovery	\$ 168,573	\$ 189,373	\$ 118,892										\$ 476,838
Total Recovery	\$ 51,984	\$ 79,208	\$ 58,564										\$ 189,756
Over/Under) Collected	\$ (1,169,332)	\$ (1,098,982)	\$ (1,046,380)										\$ (3,314,694)
Ending Balance	\$ 8,326	\$ 8,506	\$ 8,506										\$ 8,506
Interest Accrued	\$ (8,187)	\$ (6,953)	\$ (6,868)										\$ (20,008)
Adjusted Ending Balance	\$ (1,175,188)	\$ (1,104,935)	\$ (1,052,046)										\$ (3,334,702)

Assumptions:  
 The Gas Sales Increase in Cost of Gas goes into effect on April 1, 2001.  
 Gas Sales increase 10% over the prior year.  
 The Surcharge of \$.10 increases to \$.20 per therm for the next year.

CHILD - COON - COON

**CERTIFICATE OF SERVICE**

**Original of the attached letter  
hand delivered to this 7<sup>th</sup> day of  
February, 2001 to:**

**Deborah Scott, Director  
Utilities Division  
Arizona Corporation Commission  
1200 West Washington  
Phoenix, AZ 85007**

**Original and 10 copies of the attached letter  
filed this 7<sup>th</sup> day of February, 2001  
to:**

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

**Copy of the attached letter hand  
delivered this 7<sup>th</sup> day of February, 2001  
to the following:**

**Christopher Kempley  
Chief Counsel, Legal Division  
Arizona Corporation Commission  
1200 West Washington  
Phoenix, AZ 85007**



**PHX01152579.170232.010**