

**Colorado-Ute Electric Association, Inc.**

P. O. Box 1149

Montrose, Colorado 81402

Telephone (303) 249-4501

TWX 910-929-6924

August 10, 1982

Honorable Flaven J. Cerise, Chairman  
Garfield County Commissioners  
Post Office Box 640  
Glenwood Springs, Colorado 81602



Dear Flaven:

Please find enclosed Colorado-Ute Electric Association's application for a Certificate of Public Convenience and Necessity to construct, operate and maintain a 345 kv transmission line in Western Colorado. This project has commonly been referred to as the Rifle to San Juan 345 kv Transmission Line. We will be contacting you as we have additional information that may be pertinent for your use.

Should you have any questions or comments about this application, please do not hesitate to contact me by phone or in person. We also hope to be able to make a presentation to you on the Rifle to San Juan line in the future when you feel it might be appropriate.

Thank you very much for your consideration on this matter.

Sincerely,

Jerry C. Kempf  
Director of Governmental Affairs

JCK/nc

Enclosure



BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF COLORADO

IN THE MATTER OF THE APPLICATION OF )  
COLORADO-UTE ELECTRIC ASSOCIATION, INC. )  
P. O. BOX 1149, MONTROSE, COLORADO 81402 )  
FOR A CERTIFICATE OF PUBLIC CONVENIENCE )  
AND NECESSITY TO CONSTRUCT, OPERATE, AND )  
MAINTAIN A 345 KILOVOLT TRANSMISSION LINE )  
TOGETHER WITH RELATED SUBSTATION )  
FACILITIES, TO BE LOCATED IN NINE COUNTIES )  
IN WESTERN COLORADO, AND ONE COUNTY IN NEW )  
MEXICO, SUCH FACILITIES COLLECTIVELY TO BE )  
KNOWN AS THE RIFLE-SAN JUAN 345 KV )  
TRANSMISSION LINE )

APPLICATION NO. \_\_\_\_\_

CERTIFICATE

IN THE MATTER OF THE APPLICATION OF PUBLIC )  
SERVICE COMPANY OF COLORADO, 550 15th )  
STREET, DENVER, COLORADO, FOR A )  
CERTIFICATE OF PUBLIC CONVENIENCE AND )  
NECESSITY TO PARTICIPATE IN THAT PORTION )  
OF THE ABOVE NOTED TRANSMISSION LINE )  
BETWEEN RIFLE AND GRAND JUNCTION )

COME NOW the Applicants above-named, by and through their undersigned attorneys, and respectfully apply to the Commission for a Certificate of Public Convenience and Necessity to construct, operate, and maintain the facilities set forth in the caption hereof, such facilities collectively to be known as the Rifle-San Juan 345 kilovolt ("kv") Transmission Line (the "Transmission Line"), and in support thereof Applicants show and state the following:

1. The business address of the Applicants, Colorado-Ute Electric Association, Inc. ("Colorado-Ute") and Public Service Company of Colorado ("Public Service") are as set forth in the title hereof. Colorado-Ute and Public Service will be jointly known as "Applicants". Colorado-Ute is a Colorado corporation, and a copy of its Articles of Incorporation, with all amendments thereto, has heretofore been filed with the Commission. Public Service is a Colorado corporation, and a copy of its Articles of



Incorporation, with all amendments thereto, has heretofore been filed with the Commission.

Copies of all pleadings and correspondence should be mailed to the following persons:

Howard S. Bjelland  
Vice President and General Counsel  
Colorado-Ute Electric Association, Inc.  
P. O. Box 1149  
Montrose, Colorado 81402

A. M. Gabiola, Area Manager  
Department of Energy  
Western Area Power Administration  
P. O. Box 11606  
Salt Lake City, Utah 84147

J. H. Ranniger  
Vice President - Rates and Regulation  
Public Service Company of Colorado  
550 15th Street  
Denver, Colorado 80202

James K. Tarpey, Esq.  
Kelly, Stansfield & O'Donnell  
900 Public Service Company Building  
550 15th Street  
Denver, Colorado 80202

2. For the purposes addressed in this Application, Colorado-Ute is a public utility subject to the jurisdiction of this Commission, and it is engaged in the generation, purchase, and transmission of electric power and energy for sale at wholesale to its members who serve areas in Colorado, Wyoming, New Mexico and Utah. The present members of Colorado-Ute and the general service area of each are as follows:

<u>NAME</u>	<u>GENERAL AREA OF SERVICE</u>
Delta-Montrose Electric Association	Delta, Montrose, and Gunnison Counties, Colorado;
Empire Electric Association, Inc.	Montezuma, San Miguel, and Dolores Counties, Colorado; and San Juan County, Utah;
Grand Valley Rural Power Lines, Inc.	Mesa, Delta, and Garfield Counties, Colorado;



Gunnison County Electric Association, Inc.	Gunnison, Hinsdale, and Saguache Counties, Colorado;
Holy Cross Electric Association, Inc.	Garfield, Pitkin, Gunnison, and Eagle Counties, Colorado;
Intermountain Rural Electric Association	Park, Teller, Clear Creek, Jefferson, Douglas, Elbert, Arapahoe, and Adams Counties, Colorado;
La Plata Electric Association, Inc.	Archuleta, Hinsdale, La Plata, San Juan, and Mineral Counties, Colorado; San Juan County, New Mexico;
Sangre De Cristo Electric Association, Inc.	Lake, Chaffee, Fremont, Saguache, and Custer Counties, Colorado;
San Isabel Electric Association, Inc.	Pueblo, Huerfano, Las Animas, Otero, Custer, Costilla, and Fremont Counties, Colorado;
San Luis Valley Rural Electric Cooperative, Inc.	Alamosa, Rio Grande, Hinsdale, Costilla, Conejos, Mineral, and Saguache Counties, Colorado;
San Miguel Power Association, Inc.	Dolores, Ouray, San Juan, San Miguel, Montrose, Hinsdale, and Mesa Counties, Colorado;
Southeast Colorado Power Association	Prowers, Bent, Otero, Cheyenne Baca, Las Animas, Kiowa, Pueblo, El Paso, Crowley, and Lincoln Counties, Colorado;
White River Electric Association, Inc.	Rio Blanco, Moffat, and Garfield Counties, Colorado;
Yampa Valley Electric Association, Inc.	Routt, Moffat, Jackson, Grand, Eagle, and Rio Blanco Counties, Colorado; and Carbon County, Wyoming.

The certificated service areas of the members of Colorado-Ute are depicted on Exhibit "A" attached hereto and incorporated herein by reference.

Public Service is an operating public utility, subject to the jurisdiction of this Commission, engaged inter alia in the generation, purchase, transmission, distribution and sale of



electric power and energy throughout extensive areas in the State of Colorado, including Garfield and Mesa Counties and the City of Grand Junction.

3. Colorado-Ute proposes to construct a single circuit 345 kv transmission line, with a capacity of about 500 megawatts, approximately 275 miles in length traversing nine counties in western Colorado and one county in New Mexico, together with related substation facilities. The line will originate at the Rifle Substation of Colorado-Ute, proceed generally to the vicinities of Grand Junction, Delta, Montrose, Norwood, Cortez and Durango (Hesperus), and will terminate at the San Juan Generating Station Switchyard located in northwestern New Mexico. Public Service proposes to participate, to the extent noted below, in that portion of the line between Rifle and Grand Junction.

Exhibit A also shows the corridor through which the Transmission Line will pass. The route has been selected to connect existing substation and terminal facilities near Rifle, Grand Junction and Montrose. Additional terminal facilities will be provided at the Rifle and Grand Junction stations. Existing facilities at the Montrose switching station will be connected to the Transmission Line but not expanded at the present time. New transformation and terminal facilities will be constructed near Hesperus, Norwood, Lost Canyon, and at the San Juan generating station switchyard, the Shiprock substation and the Four Corners substation. Attached hereto and incorporated herein by reference as "Exhibit B" is a map of Colorado showing existing transmission and substation facilities.

With respect to that portion of the line crossing private land, Applicants propose to acquire, where such landowners agree



to sell, a right-of-way corridor of sufficient width to contain an additional single-circuit line to be constructed when future system requirements so warrant. With respect to that portion of the Transmission Line crossing federal, state, or locally-owned lands, Applicants propose only to acquire a corridor of sufficient width for a single-circuit line but will concurrently apprise the governmental authority of the future need for additional corridor space. If due to environmental or other concerns, a governmental body should restrict Applicants to a narrow corridor not adequate for two single-circuit lines, or if terrain and geographical features so require, Applicants propose to utilize special towers in such areas, which could be converted to double-circuit use if necessary, as a cost-effective method of preserving the ability to construct a second circuit along the original right-of-way.

The capacity of the proposed Transmission Line is to be jointly shared by Colorado-Ute, the United States Department of Energy, Western Area Power Administration ("Western") and Public Service as follows:

a) Rifle to Grand Junction.

Colorado-Ute - 37-1/2%

Western - 37-1/2%

Public Service - 25%

b) Grand Junction to San Juan, New Mexico

Colorado-Ute - 50%

Western - 50%

These parties have entered into Letters of Agreement, copies of which are attached hereto as Exhibits C and D, setting forth the general intent of the parties. These parties have further



agreed to enter into comprehensive definitive agreements, establishing in detail the respective rights and responsibilities of each - including the establishment of ownership shares and operation and maintenance responsibilities. These agreements will be introduced in evidence at the hearing on this application.

In addition, Colorado-Ute, by itself, will construct and maintain a 115 kv tap line from the proposed Hesperus Substation to Applicant's existing substation in Durango. The cost of this tap line will be borne entirely by Colorado-Ute.

4. The estimated cost of the above facilities, in 1982 dollars, excluding interest expenses during construction, is \$125,000,000. That portion of the Transmission Line between Rifle and Grand Junction will cost an estimated \$25,000,000, which will be shared in general accordance with the respective capacity shares of Colorado-Ute, Public Service and Western. The project from Grand Junction to San Juan, New Mexico is estimated to cost \$100,000,000, which will be divided between Colorado-Ute and Western in a similar manner.

In the event that Applicants are required, as noted above, to utilize special towers over 25 per cent of the length of the line, the estimated cost increase is \$12,000,000.

5. It is anticipated that construction of the Transmission Line will begin within 12 months after approval by the Commission, and be completed and put in service within 24 months after construction has started.

6. Colorado-Ute has acquired and is in the process of acquiring authorizations from the United States Forest Service,



the Bureau of Land Management, the Colorado counties which the line will cross, individuals whose property will be crossed, and from those state agencies from which authorizations may be required.

7. Environmental factors in connection with the location and design of the proposed Transmission Line have been considered in an Environmental Analysis prepared by environmental consulting firms. This analysis was undertaken and is the basis for an Environmental Impact Statement which is being prepared by the United States Department of Agriculture, Rural Electrification Administration ("REA") which has been designated as the "Lead Federal Agency". The Transmission Line, as constructed, will meet present Federal and State environmental requirements and standards; and the location, design, construction, and operation of said facilities will be such as to comply with applicable Federal and State laws and regulations.

8. Applicants have the capability to implement the planning, construction, operation and maintenance of the Transmission Line. Colorado-Ute presently proposes to finance its share of the cost of the Transmission Line through debt financing, from the Federal Financing Bank guaranteed by the REA. Public Service has the financial ability and experience necessary to participate and fund its portion of the Transmission Line. Western will fund its portion of the line by Congressional Appropriation. Further evidence of Applicants' ability to carry out the planning, construction, operation, and maintenance of the Transmission Line will be submitted at the hearing. Colorado-Ute will apply to the Commission for all necessary approvals for the issuance of any securities which shall may be involved herein and which shall have a maturity date of more than 12 months after the



date of issuance. Attached hereto and incorporated herein by reference as Exhibits "E" and "F", respectively, are copies of Colorado-Ute's Balance Sheet and Colorado-Ute's Statement of Operations and Equity, both as of June 30, 1982. Attached hereto and included herein by reference as "Exhibit EE" and "Exhibit FF" are, respectively, Public Service's Comparative Balance Sheet dated June 30, 1982 and Comparative Statement of Income for the 12 months ended June 30, 1982. Also attached hereto and incorporated herein by reference as "Exhibit G" is a statement of the capital structure of Colorado-Ute as of June 30, 1982, and pro forma capital structure as of the same date giving effect to the anticipated cost and financing of the Transmission Line.

9. The need for the proposed Transmission Line is based on the requirements of Colorado-Ute, Public Service and Western. Public Service needs its share in the capacity of the line between Rifle and Grand Junction to provide adequate service to its consumers in its Grand Junction Service Area. Colorado-Ute needs its share in the capacity of the entire line to meet its load requirements and maintain system reliability in western Colorado. Western's needs for additional transmission capacity are set forth in its letter dated July 9, 1982 addressed to Girts Kruminis, the President of Colorado-Ute, a copy of which letter is attached as "Exhibit H". The line, when constructed will further serve to strengthen the interconnected transmission system in the area. Public convenience and necessity requires this granting of this application.

10. The only public utilities or power and energy suppliers in the State of Colorado, other than those already mentioned, that might be affected by the proposed Transmission Line are the Tri-State Generation and Transmission Association, Inc. and the



Platte River Power Authority. Neither of these power suppliers have electrical loads in western Colorado, and the Transmission Line will not be located in any portion of their service territories. The proposed line will enter the certificated territories of six of the members of Colorado-Ute, said members being:

Delta-Montrose Electric Association  
Empire Electric Association, Inc.  
Grand Valley Rural Power Lines, Inc.  
Holy Cross Electric Association, Inc.  
La Plata Electric Association, Inc.  
San Miguel Power Association, Inc.

In addition, since the proposed Transmission Line will be interconnected with transmission lines owned by Western and Public Service, power can be delivered for retransmission to all other Colorado-Ute members.

11. Applicants will submit to the Commission additional information and data in connection with this Application, at the hearing of this Application. Although Western is not and will not be a party to these proceedings, it will appear and present testimony of its need and participation in the project.

WHEREFORE, Applicants pray that the Commission grant them a Certificate of Public Convenience and Necessity to construct, operate, and maintain the Transmission Line.



Dated this 6th day of August, 1982.

Respectfully submitted,

COLORADO-UTE ELECTRIC ASSOCIATION, INC.

/s/ Howard S. Bjelland

By: Howard S. Bjelland, Reg. No. 643  
Jonathan P. Schneider, Reg. No. 11772  
P. O. Box 1149  
Montrose, Colorado 81402

Phone: (303) 249-4501

PUBLIC SERVICE COMPANY OF COLORADO

/s/ James K. Tarpey

By: James K. Tarpey, Reg. No. 1705  
Kelly, Stansfield & O'Donnell  
900 Public Service Company Building  
550 15th Street, Suite 900  
Denver, Colorado 80202

Phone: (303) 825-3534

STATE OF COLORADO    )  
                                  ) ss.  
County of Montrose    )

Girts Krumins, being duly sworn, deposes and says that he is President of Colorado-Ute Electric Association, Inc., and that he has read the foregoing Application and exhibits of Colorado-Ute and knows the content thereof, and that the same are true according to his best knowledge and belief.

/s/ Girts Krumins  
Girts Krumins

Subscribed and sworn to before me this \_\_\_\_\_ day of August, 1982. My commission expires: \_\_\_\_\_.

\_\_\_\_\_  
Notary Public  
\_\_\_\_\_  
\_\_\_\_\_



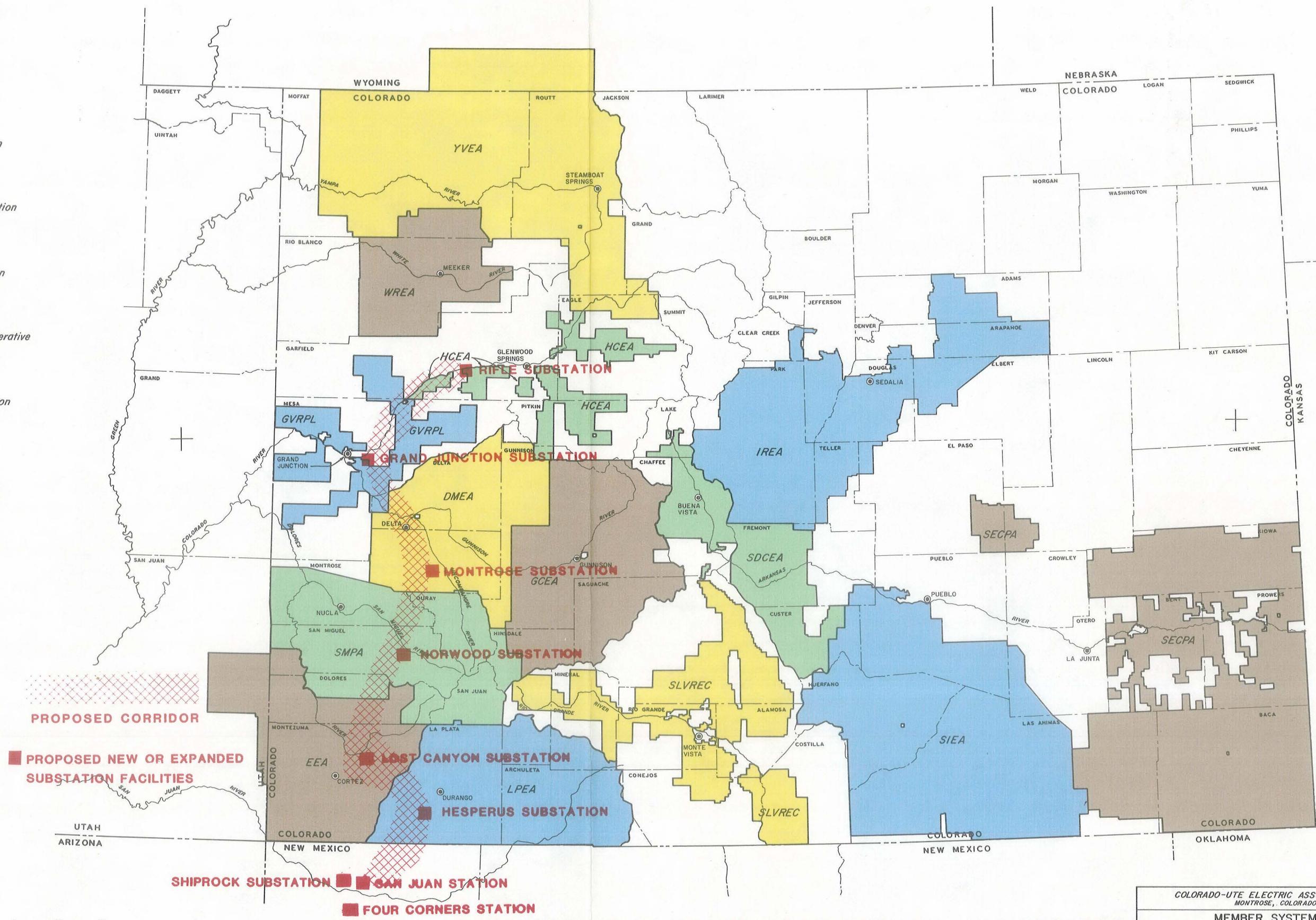




COLORADO-UTE ELECTRIC ASSOCIATION  
MEMBER SYSTEMS  
CERTIFICATED SERVICE AREAS

KEY TO NAMES

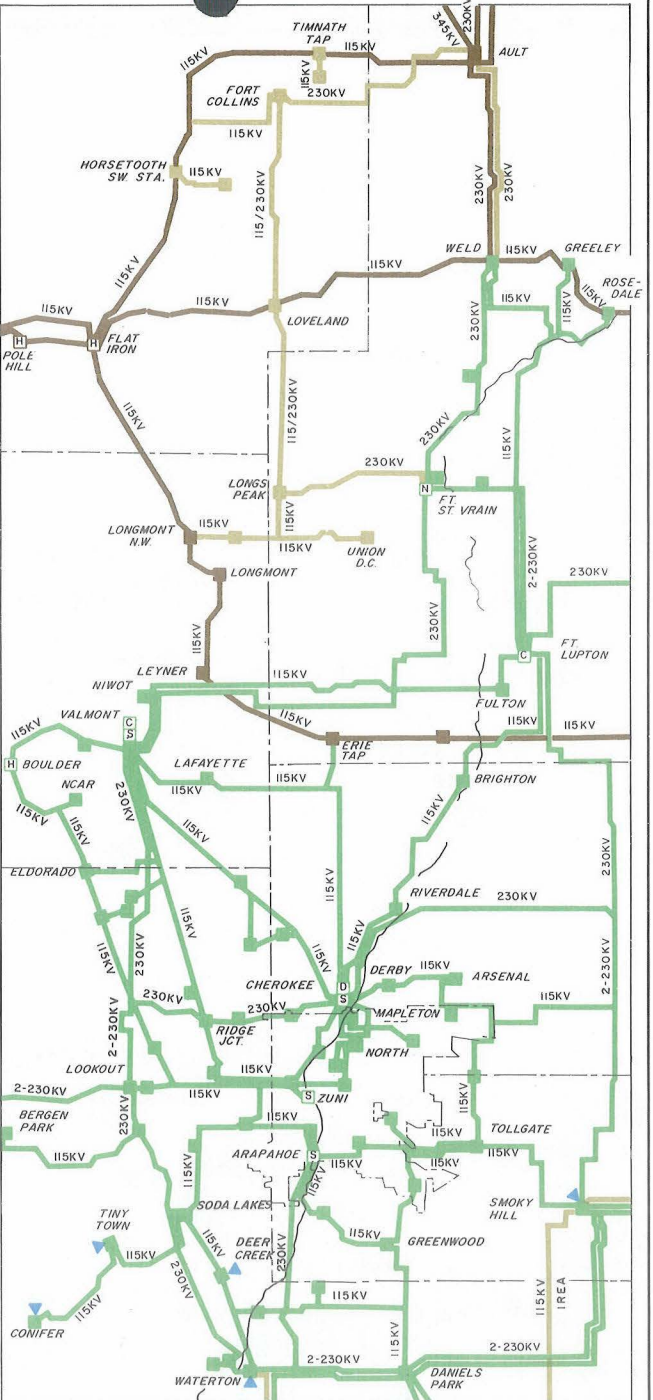
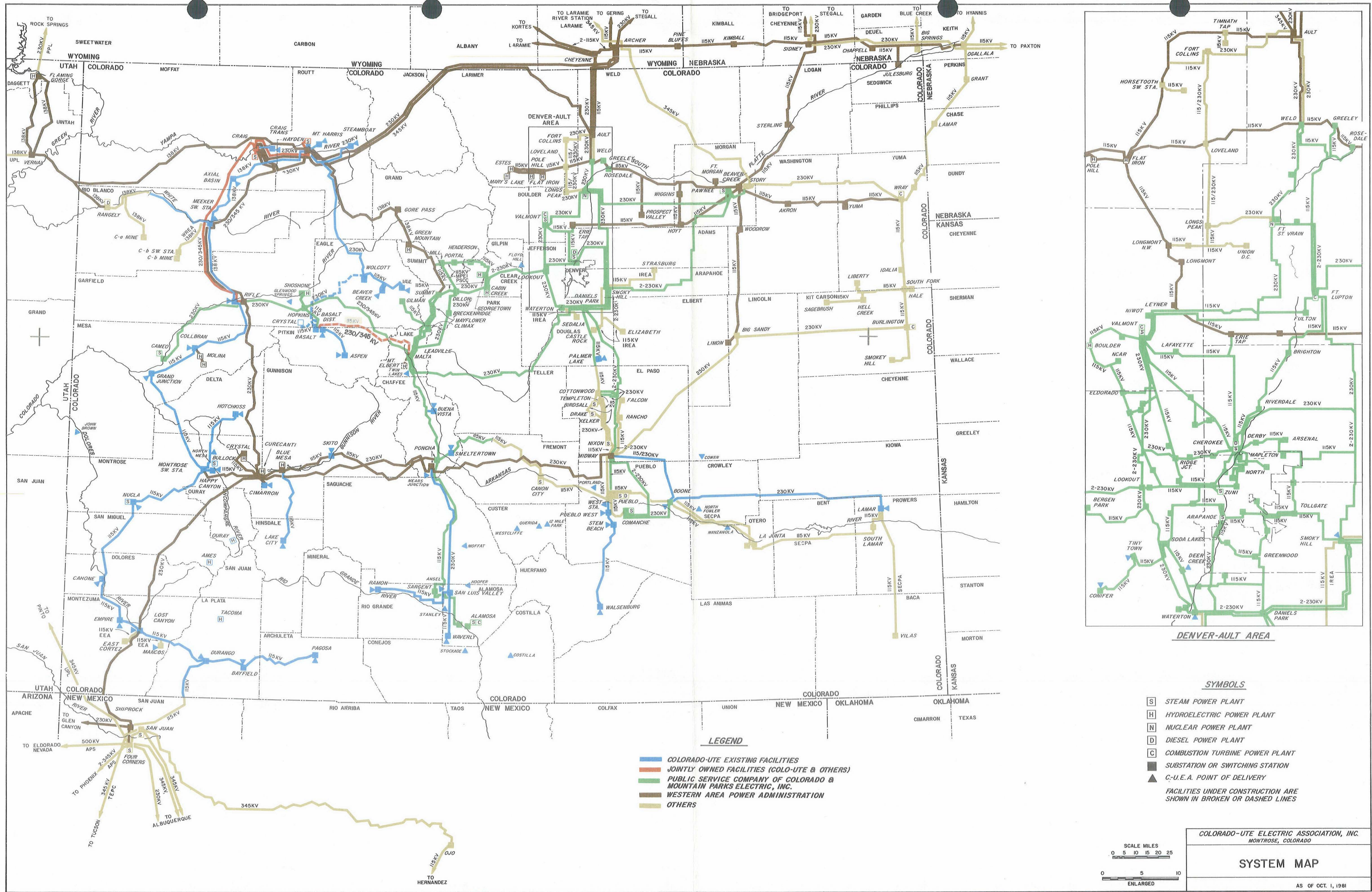
- DMEA Delta-Montrose Electric Association
- EEA Empire Electric Association
- GVRPL Grand Valley Rural Power Lines
- GCEA Gunnison County Electric Association
- HCEA Holy Cross Electric Association
- IREA Intermountain Rural Electric Association
- LPEA La Plata Electric Association
- SDCEA Sangre De Cristo Electric Association
- SIEA San Isabel Electric Association
- SLVREC San Luis Valley Rural Electric Cooperative
- SMPA San Miguel Power Association
- SECPA Southeast Colorado Power Association
- WREA White River Electric Association
- YVEA Yampa Valley Electric Association
- © Member System Headquarters



**RIFLE-SAN JUAN 345 KV TRANSMISSION LINE PROJECT**

COLORADO-UTE ELECTRIC ASSOCIATION, INC.  
MONTROSE, COLORADO  
MEMBER SYSTEMS  
CERTIFICATED SERVICE AREAS  
JUNE 4, 1981

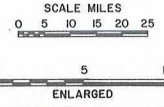




DENVER-AULT AREA

SYMBOLS

- [S] STEAM POWER PLANT
- [H] HYDROELECTRIC POWER PLANT
- [N] NUCLEAR POWER PLANT
- [D] DIESEL POWER PLANT
- [C] COMBUSTION TURBINE POWER PLANT
- [X] SUBSTATION OR SWITCHING STATION
- [▲] C-U.E.A. POINT OF DELIVERY
- FACILITIES UNDER CONSTRUCTION ARE SHOWN IN BROKEN OR DASHED LINES



COLORADO-UTE ELECTRIC ASSOCIATION, INC. MONTROSE, COLORADO

SYSTEM MAP

AS OF OCT. 1, 1981



## Colorado-Ute Electric Association, Inc.

P. O. Box 1149  
Montrose, Colorado 81402

Telephone (303) 249-4501

TWX 910-929-6924

August 2, 1982

Mr. A. M. Gabiola, Area Manager  
Department of Energy  
Western Area Power Administration  
Post Office Box 11606  
Salt Lake City, Utah 84147

Mr. J. K. Fuller, Vice President  
Public Service Company of Colorado  
Post Office Box 840  
Denver, Colorado 80201

Gentlemen:

Rifle-Grand Junction 345 kv Transmission Line

Pursuant to discussions among Public Service Company of Colorado (Public Service), Colorado-Ute Electric Association, Inc., (Colorado-Ute), and the Western Area Power Administration (Western), and with reference to the January 22, 1982 letter between Colorado-Ute and Public Service, (copy attached), Colorado-Ute and Western propose to construct, operate, and maintain a 345 kv transmission line from Colorado-Ute's Rifle Substation through Grand Junction to the San Juan Powerplant Switchyard located in northwestern New Mexico. Also, with reference to said discussions, Public Service has determined that it will participate in the section of 345 kv transmission line from Colorado-Ute's Rifle Substation to Colorado-Ute's Grand Junction Substation site.

Therefore, based on the above premises, the following summarizes the intent and mutual undertakings of the parties:

1. A 345 kv transmission line will be constructed from Colorado-Ute's Rifle Substation to Grand Junction Substation. Colorado-Ute, Public Service, and Western will share the cost and capacity of the 345 kv line, including terminal facilities, but excluding facilities required to ~~convert~~ local loads served by

connect



Mr. Gabiola

Mr. Fuller

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August 2, 1982

Colorado-Ute and Public Service. A one-line diagram of the proposed system is attached. The capacity entitlements and cost responsibility will be as follows:

	<u>Rifle Sub</u>	<u>Rifle-Gnd Jct 345 kv Line</u>	<u>Gnd Jct Sub</u>
Colorado-Ute	37.5%	37.5%	29.2%
Public Service	25.0%	25.0%	41.6%
Western	<u>37.5%</u>	<u>37.5%</u>	<u>29.2%</u>
TOTAL	100.0%	100.0%	100.0%

2. It is recognized that Public Service does not presently have transmission capacity between its Rifle 230 kv Substation and Colorado-Ute's Rifle 345 kv Substation. It is agreed that Colorado-Ute shall make such capacity available to Public Service in exchange for a like amount of capacity between the Grand Junction 345 kv Substation and a future 230 kv substation located in the Fruita area. The details of such arrangements shall be in the definitive agreement referenced in paragraph 9 of this letter agreement.

3. Immediately following the execution of this Letter of Intent, Colorado-Ute shall file an application with the Colorado Public Utilities Commission for a certificate of public convenience and necessity for construction, operation, and maintenance of the Rifle-San Juan transmission line including the Rifle-Grand Junction 345 kv portion thereof. Colorado-Ute shall be responsible for completing the environmental impact statement. Public Service and Western will assist Colorado-Ute in the completion of this work.

4. Responsibility for the design, construction, operation, and maintenance of the Rifle to Grand Junction 345 kv line will be determined in the definitive agreement referenced in paragraph 9 of this agreement; however Colorado-Ute shall design, construct, operate, and maintain the 345 kv terminal facilities at its Rifle Substation and Grand Junction Substation site on behalf of the



Mr. Gabiola  
Mr. Fuller

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August 2, 1982

participants. The cost of design, construction, operation, and maintenance shall be shared in accordance with each participant's capacity entitlement; provided, that to the extent practical, routine maintenance will be performed by the parties on a reciprocal basis without monetary payment. It is the intent of the participants to proceed with the construction of the transmission line and associated terminal facilities as soon as possible.

5. As required, the parties will appoint an engineering and operating committee which will continue to perform power flow, transient stability, and other technical studies to determine operating characteristics, transfer capability and design parameters for the proposed transmission line and terminal facilities. The cost of such studies shall be shared in proportion to each participant's transmission line capacity entitlement.

6. Any participant may tap or interconnect with the Rifle to Grand Junction transmission line for its own purposes. All such plans shall be subject to the approval of the other participants, which approvals shall not be unreasonably withheld. Such plans shall be reviewed for completeness and conformance to sound engineering principles and interconnected system operation. The cost of such taps or interconnections shall be borne by the participant desiring the modification or as otherwise agreed in the event more than one participant benefits.

It is recognized that the switching facilities at Rifle and Grand Junction are configured in a breaker and one half arrangement, but will initially be operated as a ring to minimize capital expenditures. It is agreed, therefore, that the project participants will bear their share of future costs for the omitted circuit breakers and related equipment based on the benefits received.

7. After completion of the proposed Rifle to San Juan 345 kv line the United States and Colorado-Ute plan to jointly participate in uprating the United States' existing Rifle to Shiprock 230 kv line for 345 kv operation. Following the uprating of Western's Rifle to Shiprock line and when required to meet load growth and other electrical requirements, Colorado-Ute and Western plan to construct a second 345 kv transmission line between Rifle



Mr. Gabiola  
Mr. Fuller

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August 2, 1982

and the Shiprock Substation. To the extent that Western and Colorado-Ute make provisions for such a second Rifle to Shiprock line by initially arranging for additional right-of-way or installing double-circuit towers in certain locations to meet environmental requirements, Public Service shall not be responsible for any costs associated with this future line.

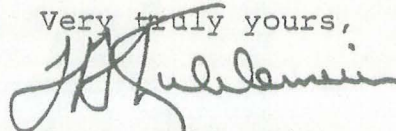
8. The participants will make every effort to meet their financial obligations in a timely manner. If, however, necessary appropriations and financing are not made available to a participant, then the other participants hereby agree to release and absolve such participant from any liability or responsibility in connection with the project.

The participants will make every effort to meet the general obligations under this letter agreement and the definitive agreement to be entered into pursuant to paragraph 9 of this agreement. If, however, because of regulatory restrictions of any kind, it becomes impossible to construct this project in a timely manner, each party reserves the right to withdraw from its participation in this agreement without further liability or responsibility in connection with the project.


9. Following the execution of this letter, it is the intent of the parties to proceed to incorporate these items into definitive agreements. The parties will make their best efforts to complete such agreements as soon as possible.

If the foregoing is satisfactory to you, please indicate your acceptance by signing three copies of this letter and returning a copy to each of the other parties.

Very truly yours,



F. A. Kuhlemeier  
Vice President



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PUBLIC SERVICE COMPANY OF COLORADO



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WESTERN AREA POWER ADMINISTRATION



Colorado-Ute Electric Association, Inc.

P. O. Box 1149

Montrose, Colorado 81402

Telephone (303) 249-4501

TWX 910-929-6924

January 22, 1982

REC'D JAN 25 1982

Mr. J. K. Fuller  
Public Service Company of Colorado  
P. O. Box 840  
Denver, Colorado 80201

Dear Mr. Fuller:

Rifle to Grand Junction Area  
Transmission Facilities

With reference to the January 8, 1982 meeting in your office, this letter summarizes the discussion and understandings reached as follows:

1. Public Service Company of Colorado is planning to proceed with the immediate construction of transmission system additions to serve oil shale related loads developing in an area north of the Colorado River in the general vicinity of the town of Parachute, Colorado. These system additions initially consist of a substation at Parachute and a radial 230 kv line from the Company's existing Rifle-Cameo 230 kv line north to the Colony Project (Davis Substation). It is important that these facilities be completed and placed in service as soon as possible.

Colorado-Ute has been planning to proceed with the immediate construction of a 138 kv line from its Rifle Substation to a new substation at the Battlement Mesa Project. These facilities would supply power to the Holy Cross Electric Association, which has loads developing in and around the community of Battlement Mesa. Battlement Mesa is located across the Colorado River from the town of Parachute. At the present time, loads in the Battlement Mesa area that exceed 100 kw are certificated to Public Service and are intermingled with Holy Cross loads.



January 22, 1982

Public Service and Colorado-Ute have applied for Special Use Permits from Garfield County to construct and operate the facilities mentioned above.

2. The capacity of the existing Public Service Rifle-Cameo 230 kv line and the proposed Colorado-Ute Rifle-Battlement Mesa 138 kv line is sufficient to serve the near-term loads of both Public Service and Colorado-Ute, but not the combined loads anticipated by the late 1980's.

While the existing Public Service Rifle-Cameo 230 kv line can be uprated for 345 kv operation, it is believed that it can be best used as part of the subtransmission system to serve Colorado River Valley loads between Rifle and Cameo. It is contemplated that this line can be operated at 230 kv into the foreseeable future. As a result, it is agreed that Public Service and Colorado-Ute will jointly proceed to establish, as soon as practicable, a 345 kv system between Rifle and the Grand Junction area (which includes the Cameo generating station), and a tie from the 345 kv system to the transmission system in the Grand Junction area. Additional taps on the 345 kv system may be made by Public Service and Colorado-Ute individually or jointly as required by loads in the area.

As you know, Colorado-Ute and the Western Area Power Administration are presently planning a double-circuit 345 kv line from Rifle to Paonia to Montrose, and beyond, to be constructed as soon as the environmental and regulatory requirements can be completed. Therefore, Colorado-Ute will initiate discussions with WAPA to consider routing one of these circuits between Rifle and the general area around Grand Junction jointly with Public Service.

3. With reference to the delivery of power to the Holy Cross Electric Association, it is agreed that Holy Cross may connect a 25 kv distribution circuit at the Company's



Parachute Substation to serve its Battlement Mesa loads including certain loads exceeding 100 kw which are presently certificated to Public Service. It is further understood that Holy Cross has agreed to, and will wheel power to these Public Service loads in the Battlement Mesa area that exceed 100 kilowatts. It is understood that Public Service will initially wheel power for Colorado-Ute to its Parachute Substation. Based on this arrangement and understanding, Colorado-Ute has suspended its plans to construct a 138 kv transmission line between the Rifle-Battlement Mesa area and has withdrawn its Special Use Permit application before Garfield County.

4. It is agreed that Public Service Company may connect a 25 kv circuit at Colorado-Ute's Rifle Substation to serve the town of Rifle. Colorado-Ute will wheel power for Public Service to Colorado-Ute's Rifle 25 kv Substation bus.
5. An existing wheeling agreement by which reciprocal wheeling services are exchanged involving deliveries for Public Service at Colorado-Ute's 69 kv Rifle Substation Bus and deliveries for Colorado-Ute at points on the Public Service 115 kv Malta-Poncha transmission system will be extended to cover wheeling of additional power as provided for in items 3 and 4 above. Initially, Public Service will provide up to 12 MW of 25 kv capacity at the Parachute Substation for use by Colorado-Ute and Colorado-Ute will provide up to 12 MW of 25 kv capacity at its Rifle Substation for use by Public Service.
6. Public Service and Colorado-Ute agree to provide when appropriate a future interconnection between the two systems at or near Davis Substation (Colony Project).
7. Public Service and Colorado-Ute will continue joint planning studies to further define details for the 345 kv system and associated ties to lower voltage systems referred to in item 2 above. In addition, these studies will include an analysis of long-range needs for



Mr. J. K. Fuller

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January 22, 1982

additional distribution substation capacity in the Parachute-Battlement Mesa and Rifle areas and provisions for both parties to share such additional substation capacity in an equitable manner.

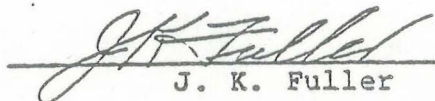
8. It is intended that the above understandings and agreements will be incorporated into an interconnection and transmission service agreement between the parties.

If Public Service Company so concurs with the above, please indicate such concurrence by signing and returning a fully executed copy of this letter to this office.

: Very truly yours,



F. A. Kuhlemeier  
Vice President



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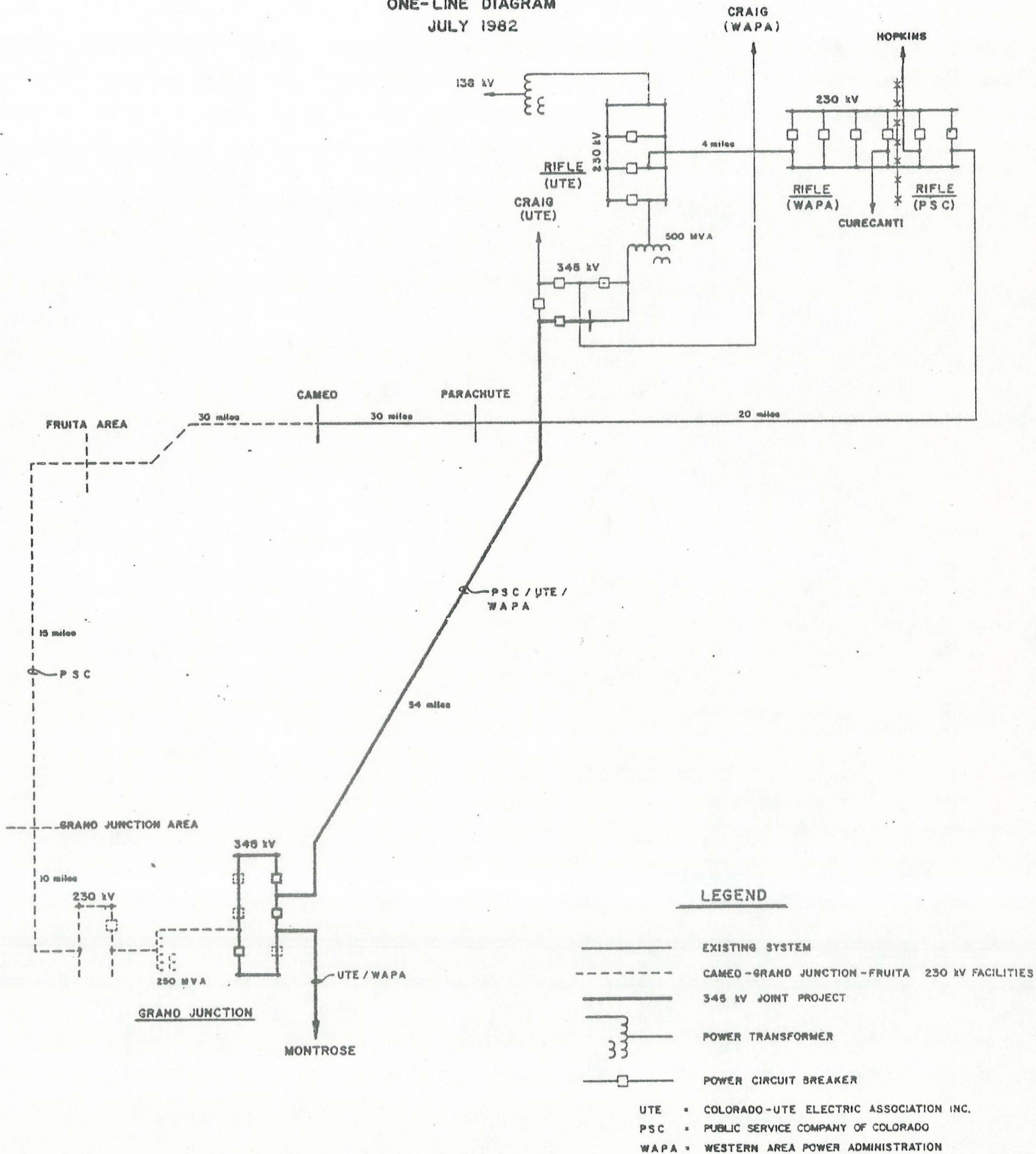
J. K. Fuller

FAK:mj

cc: Mr. Ed Grange, Holy Cross Electric Association



**RIFLE-GRAND JUNCTION AREA  
TRANSMISSION SYSTEM  
ONE-LINE DIAGRAM  
JULY 1982**







## Department Of Energy

Western Area Power Administration  
P.O. Box 1606  
Salt Lake City, Utah 84147

In Reply  
Refer to: L0000  
330./6

Mr. Girts Krumins, President  
Colorado-Ute Electric Association  
P. O. Box 1149  
Montrose, CO 81402

Dear Mr. Krumins:

This letter agreement amends and supersedes that original agreement dated November 13, 1980, between Colorado-Ute Electric Association, Inc. (Colorado-Ute) and the Western Area Power Administration (Western).

Colorado-Ute and Western plan to finance, construct, operate, and maintain a 345-kV transmission system between Craig and the Four Corners area. The Parties intend to construct the system in a coordinated manner and to share capacity entitlements, costs, and responsibilities relative to certain of the features. The purpose of this letter is to recognize each Party's intent to participate, to describe the transmission system involved, to set forth each Party's capacity entitlements, and to discuss related matters agreed upon.

### Description of Transmission System

It is planned to construct the 345-kV transmission system in three phases. The first phase will consist of two single circuit 345-kV lines between Craig Switchyard and Colorado-Ute's Rifle Substation (Colorado-Ute's Craig-Rifle line was converted to 345-kV operation in 1982, and Western's Craig-Rifle line will be uprated to 345-kV and extended to Colorado-Ute's Rifle Substation by November 1983); a single circuit 345-kV line between Rifle Substation and San Juan Switchyard via a corridor passing in the general vicinity of Grand Junction, Delta, Montrose, Norwood, Cortez, and Durango, Colorado; a 345-kV line connecting San Juan Switchyard and Shiprock Substation (by others); and a 345-kV line between Shiprock Substation and Four Corners Switchyard.

Phase 1 will include 345-kV switchyard additions at Craig, Rifle, (Colorado-Ute), San Juan, Shiprock, and Four Corners; new 345-kV substations in the vicinity of Grand Junction, Norwood, Lost Canyon, and Durango; and 345/230-kV interconnections at Craig, Rifle, Grand Junction, and Shiprock.

It is the intent of the Parties to complete the first phase of the 345-kV transmission systems as soon as possible. It is estimated that 24 to 30 months will be required to complete the work following receipt of necessary regulatory approvals.



The second phase which is expected to be required by 1987 will consist of upgrading Western's 230-kV Rifle (Western) - Curecanti-Lost Canyon-Shiprock line to 345-kV; connecting Western's Craig-Rifle (Colorado-Ute) 345-kV line into Western's Rifle Substation; a single circuit 345-kV line interconnecting Montrose and Curecanti Substations (or an electrical equivalent); a new 345-kV switchyard at Rifle (Western); and a new 345-kV substation at Curecanti and North Fork.

The third phase, when required, will consist of adding a new single circuit 345-kV line between Colorado-Ute's Rifle Substation and Shiprock Substation. It is planned, where possible, to acquire sufficient right-of-way initially so that the two 345-kV lines to be constructed between Rifle and San Juan/Shiprock in Phases 1 and 3 can occupy a common right-of-way.

A one-line diagram of the proposed system is included as Exhibit A to this letter. The project will also include extensions of communication and control systems to the various substations and switchyards.

#### Capacity Entitlements

The Parties hereto and others will share, as follows, the capacity of Phase 1 of the 345-kV transmission system between Craig and Four Corners area, including line termination facilities and interconnections but excluding facilities that connect to the local area system constructed solely to serve loads:

#### Capacity Entitlements in Percent

	<u>Colorado Ute</u>	<u>Western</u>	<u>Public Service</u>	<u>Others</u>
Craig-Rifle (Ute) 345-kV Line	64	0	0	36
Craig-Rifle (Western) 345-kV Line	0	100	0	0
Rifle (Ute)-Rifle (Western) 345-kV Line	0	100	0	0
Rifle (Ute)-Rifle (Western) 230-kV Line <sup>2/</sup>	64	0	0	36
Rifle (Ute)-Grand Junction 345-kV Line	37.5	37.5	25	0
Grand Junction-San Juan 345-kV Line	50	50	0	0
Shiprock-San Juan 345-kV Line <sup>1/</sup>	0	0	0	100
Shiprock-Four Corners 345-kV Line <sup>1/</sup>	50	50	0	0



Interconnection at Rifle (Ute) 345/230-kV <u>2/</u>	100	0	0	0
Interconnection at Shiprock- 345/230-kV <u>2/</u>	0	100	0	0

1/ To the extent that the parties capacity entitlements are preserved, it is planned that the 345-kV transmission system between San Juan, Shiprock, and Four Corners will be considered a common 345-kV bus for connecting the systems of Colorado-Ute and Western with participants in the San Juan and Four Corners Project.

2/ The interconnections at Rifle (Colorado-Ute) and Shiprock Substations provide for power transfers between 345 and 230-kV transmissions systems, and contribute substantially to reliability of the bulk power transmission system. They are expected to be approximately equal in capacity and cost. Recognizing that both Western and Colorado-Ute share responsibility for reliable power system operation and that the utilization of the interconnections by the parties for power transfers will vary from time to time, the parties agree to exchange capacity in the interconnection facilities as necessary to best accommodate the needs of both.

#### Participation by Public Service Company of Colorado

Public Service Company of Colorado (Public Service) plans to participate in a part of the proposed 345-kV system to be constructed between Rifle (Colorado-Ute) and Grand Junction Substations during the Phase 1 construction program. A three party agreement dated August 2, 1982 summarizing the intent and mutual undertakings of the parties is included as exhibit B to this letter.

#### Cost Allocation

It is intended that costs for the 345-kV transmission system will be allocated to the parties in proportion to capacity entitlements.

#### Related Matters

##### 1. Establishment of E&O Committee

An interim Engineering and Operating Committee (E&O) will be formed as soon as possible to provide for joint review of all technical aspects of the proposed 345-kV transmission system including system studies and other duties as may become necessary. Each party will designate one or more representatives to the E&O Committee as necessary to accomplish its purpose. Such Committee shall serve until the formal agreement is executed or longer if otherwise agreed.

##### 2. Use of Facilities

It is recognized that during the process of constructing the 345-kV transmission system, certain facilities of either party may need to be taken out of service from time to time. During these periods, the



parties agree to accommodate each other by sharing of available remaining transmission system capacity. The party being accommodated will reimburse the other party for any financial or other loss resulting from accommodation. The parties will make their best effort to minimize outage curtailments and to utilize remedial action schemes as needed to enhance system transfer capability whenever facilities of either party are out of service for construction of the 345-kV transmission system.

### 3. System Studies

As required, the parties will perform power flow, transient stability, and other technical studies to demonstrate operating characteristics and transfer capability of the proposed transmission configuration and design parameters for the facilities and equipment components thereof. The costs of such studies shall be shared equally.

### 4. Series Compensation

Should a party plan to install or participate in the installation of series capacitors in the Rifle to Four Corners area or on related transmission lines, the parties will conduct studies necessary to examine the associated changes in subsynchronous resonance hazards and any other studies if needed.

### 5. Joint Transmission System Operation

Believing that economic and other benefits will be derived from joint transmission system operation, the parties shall investigate and determine the cost and benefits of such operation. The capability and shared use of the joint system will be determined considering through power transfers as well as internal loads. It is understood that transmission lines operated at 230-kV and above will generally be included in the joint transmission system.

### 6. Taps and Interconnections

Either party may tap or interconnect with the 345-kV joint transmission project for its own purposes; provided that the E&O Committee shall review such plans for completeness and conformance to sound engineering principles. The cost of such tap or interconnection shall be borne by the party desiring the modification, or as otherwise agreed in the event that both parties benefit.

### 7. Environmental Studies

Colorado-Ute will conduct environmental studies and prepare necessary environmental reports and documents related to the Rifle-San Juan/Shiprock portion of Phase 1 of the project. Such reports and documents shall be prepared to the standards and procedures required by the Rural Electrification Administration, United States Department of Agriculture. Western will participate with the Rural Electrification Administration as a cooperating agency in the preparation of an



environmental statement for the project. Western will conduct environmental studies and prepare necessary environmental reports and documents related to the uprating of its Craig-Rifle (Colorado-Ute) circuit, the future uprating of the Rifle (Western)-Shiprock circuit, the Shiprock-Four Corners Circuit, and Shiprock Substation additions.

8. Financial Participation

Western and Colorado-Ute shall make every effort to obtain funds to meet their obligations in a timely manner; however, it is understood that the participation of Western and Colorado-Ute in the project is contingent upon each party obtaining the necessary appropriations and financing, and, if such necessary appropriations and financing are not available to a participant for this project, then the other participant hereby agrees to release and discharge such participant from any liability or responsibility in connection with this project.

9. Operation and maintenance

To the extent possible, it is planned to divide the operation and maintenance responsibilities for the proposed jointly owned 345-kV transmission project in proportion to the capacity entitlements of each party. The objective will be to minimize the need for monthly and annual billings for operation and maintenance work, provided, that the parties will share extraordinary maintenance, including major replacement expenses, on the basis of their capacity entitlements in the joint project.

10. Execution of Final Agreement

Following the execution of this letter, it is the intent of the parties to proceed to incorporate these items into Contract No. 14-06-400-2463 for Interconnections and Transmission Service. In addition, the parties will coordinate with other entities owning existing facilities at Craig Station, Colorado-Ute Rifle Substation, San Juan Station, and Four Corners Station in order to determine financing, construction, ownership, operation and maintenance responsibility, and the joint use of facilities necessary to accommodate the project. The parties will make their best effort to complete a definitive agreement as soon as possible, and each party shall be responsible for its share of the project costs prior to the execution of the definitive agreement.

If the foregoing is satisfactory to you, please indicate your acceptance by signing both copies of this letter in the space provided below and return one copy to me.

Sincerely,



A. M. Gabiola  
Area Manager



Enclosure  
In Duplicate

Accepted:

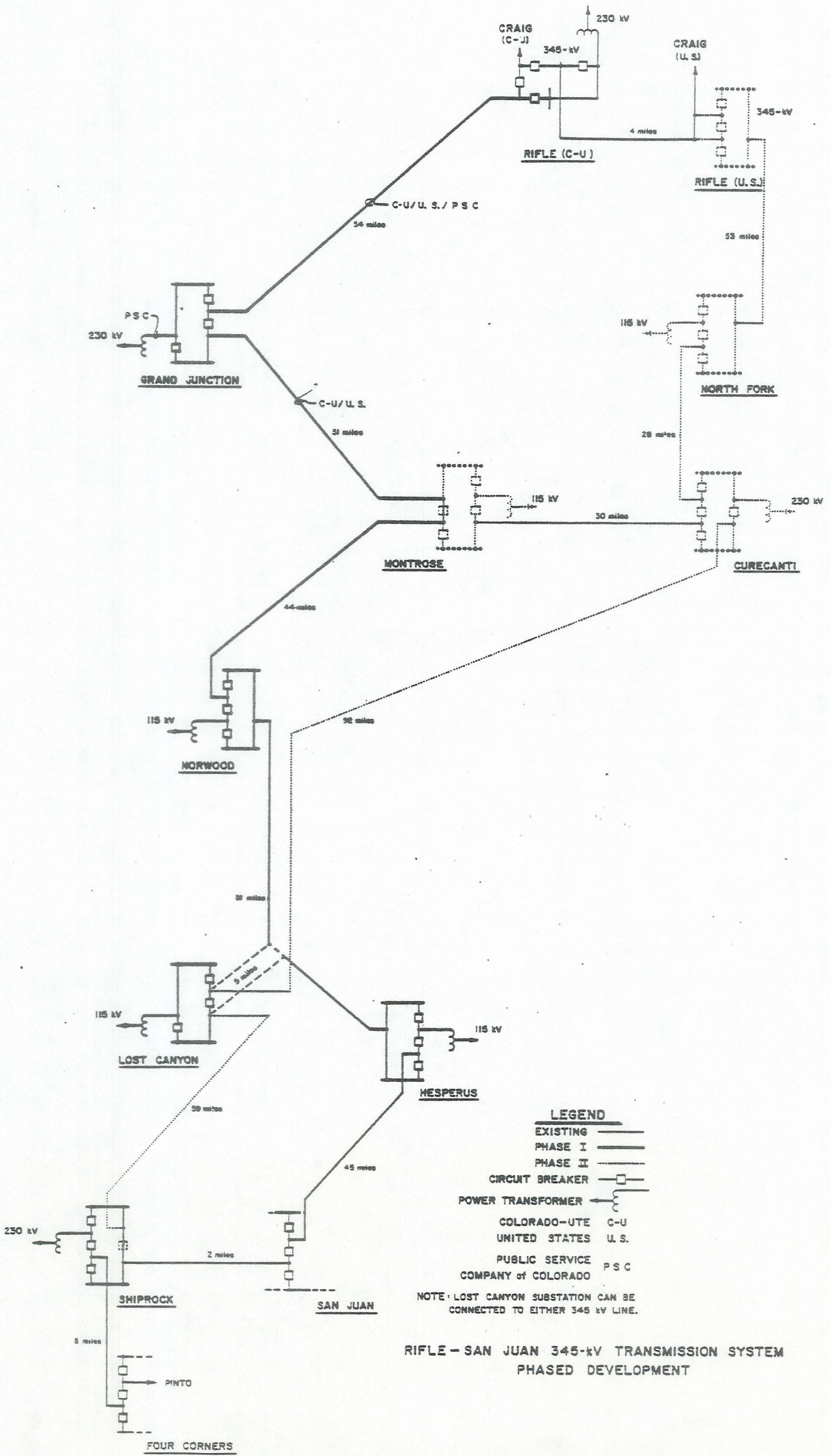


AUG 5 1982

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Colorado-Ute Electric Association, Inc.





- LEGEND**
- EXISTING
  - PHASE I
  - PHASE II
  - CIRCUIT BREAKER
  - POWER TRANSFORMER
  - COLORADO-UTE C-U
  - UNITED STATES U.S.
  - PUBLIC SERVICE COMPANY of COLORADO P S C

NOTE: LOST CANYON SUBSTATION CAN BE CONNECTED TO EITHER 345 kV LINE.

**RIFLE - SAN JUAN 345-kV TRANSMISSION SYSTEM  
PHASED DEVELOPMENT**



Colorado-Ute Electric Association, Inc.

P. O. Box 1149

Montrose, Colorado 81402

Telephone (303) 249-4501

TWX 910-929-6924

August 2, 1982

Mr. A. M. Gabiola, Area Manager  
Department of Energy  
Western Area Power Administration  
Post Office Box 11606  
Salt Lake City, Utah 84147

Mr. J. K. Fuller, Vice President  
Public Service Company of Colorado  
Post Office Box 840  
Denver, Colorado 80201

Gentlemen:

Rifle-Grand Junction 345 kv Transmission Line

Pursuant to discussions among Public Service Company of Colorado (Public Service), Colorado-Ute Electric Association, Inc., (Colorado-Ute), and the Western Area Power Administration (Western), and with reference to the January 22, 1982 letter between Colorado-Ute and Public Service, (copy attached), Colorado-Ute and Western propose to construct, operate, and maintain a 345 kv transmission line from Colorado-Ute's Rifle Substation through Grand Junction to the San Juan Powerplant Switchyard located in northwestern New Mexico. Also, with reference to said discussions, Public Service has determined that it will participate in the section of 345 kv transmission line from Colorado-Ute's Rifle Substation to Colorado-Ute's Grand Junction Substation site.

Therefore, based on the above premises, the following summarizes the intent and mutual undertakings of the parties:

1. A 345 kv transmission line will be constructed from Colorado-Ute's Rifle Substation to Grand Junction Substation. Colorado-Ute, Public Service, and Western will share the cost and capacity of the 345 kv line, including terminal facilities, but excluding facilities required to convert local loads served by



Mr. Gabiola  
Mr. Fuller

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August 2, 1982

Colorado-Ute and Public Service. A one-line diagram of the proposed system is attached. The capacity entitlements and cost responsibility will be as follows:

	<u>Rifle Sub</u>	<u>Rifle-Gnd Jct 345 kv Line</u>	<u>Gnd Jct Sub</u>
Colorado-Ute	37.5%	37.5%	29.2%
Public Service	25.0%	25.0%	41.6%
Western	37.5%	37.5%	29.2%
TOTAL	100.0%	100.0%	100.0%

2. It is recognized that Public Service does not presently have transmission capacity between its Rifle 230 kv Substation and Colorado-Ute's Rifle 345 kv Substation. It is agreed that Colorado-Ute shall make such capacity available to Public Service in exchange for a like amount of capacity between the Grand Junction 345 kv Substation and a future 230 kv substation located in the Fruita area. The details of such arrangements shall be in the definitive agreement referenced in paragraph 9 of this letter agreement.

3. Immediately following the execution of this Letter of Intent, Colorado-Ute shall file an application with the Colorado Public Utilities Commission for a certificate of public convenience and necessity for construction, operation, and maintenance of the Rifle-San Juan transmission line including the Rifle-Grand Junction 345 kv portion thereof. Colorado-Ute shall be responsible for completing the environmental impact statement. Public Service and Western will assist Colorado-Ute in the completion of this work.

4. Responsibility for the design, construction, operation, and maintenance of the Rifle to Grand Junction 345 kv line will be determined in the definitive agreement referenced in paragraph 9 of this agreement; however Colorado-Ute shall design, construct operate, and maintain the 345 kv terminal facilities at its Rifle Substation and Grand Junction Substation site on behalf of the



Mr. Gabiola  
Mr. Fuller

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August 2, 1982

participants. The cost of design, construction, operation, and maintenance shall be shared in accordance with each participant's capacity entitlement; provided, that to the extent practical, routine maintenance will be performed by the parties on a reciprocal basis without monetary payment. It is the intent of the participants to proceed with the construction of the transmission line and associated terminal facilities as soon as possible.

5. As required, the parties will appoint an engineering and operating committee which will continue to perform power flow, transient stability, and other technical studies to determine operating characteristics, transfer capability and design parameters for the proposed transmission line and terminal facilities. The cost of such studies shall be shared in proportion to each participant's transmission line capacity entitlement.

6. Any participant may tap or interconnect with the Rifle to Grand Junction transmission line for its own purposes. All such plans shall be subject to the approval of the other participants, which approvals shall not be unreasonably withheld. Such plans shall be reviewed for completeness and conformance to sound engineering principles and interconnected system operation. The cost of such taps or interconnections shall be borne by the participant desiring the modification or as otherwise agreed in the event more than one participant benefits.

It is recognized that the switching facilities at Rifle and Grand Junction are configured in a breaker and one half arrangement, but will initially be operated as a ring to minimize capital expenditures. It is agreed, therefore, that the project participants will bear their share of future costs for the omitted circuit breakers and related equipment based on the benefits received.

7. After completion of the proposed Rifle to San Juan 345 kv line the United States and Colorado-Ute plan to jointly participate in uprating the United States' existing Rifle to Shiprock 230 kv line for 345 kv operation. Following the uprating of Western's Rifle to Shiprock line and when required to meet load growth and other electrical requirements, Colorado-Ute and Western plan to construct a second 345 kv transmission line between Rifle



Mr. Gabiola  
Mr. Fuller

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August 2, 1982

and the Shiprock Substation. To the extent that Western and Colorado-Ute make provisions for such a second Rifle to Shiprock line by initially arranging for additional right-of-way or installing double-circuit towers in certain locations to meet environmental requirements, Public Service shall not be responsible for any costs associated with this future line.

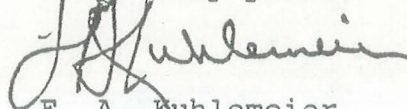
8. The participants will make every effort to meet their financial obligations in a timely manner. If, however, necessary appropriations and financing are not made available to a participant, then the other participants hereby agree to release and absolve such participant from any liability or responsibility in connection with the project.

The participants will make every effort to meet the general obligations under this letter agreement and the definitive agreement to be entered into pursuant to paragraph 9 of this agreement. If, however, because of regulatory restrictions of any kind, it becomes impossible to construct this project in a timely manner, each party reserves the right to withdraw from its participation in this agreement without further liability or responsibility in connection with the project.

9. Following the execution of this letter, it is the intent of the parties to proceed to incorporate these items into definitive agreements. The parties will make their best efforts to complete such agreements as soon as possible.

If the foregoing is satisfactory to you, please indicate your acceptance by signing three copies of this letter and returning a copy to each of the other parties.

Very truly yours,




F. A. Kuhlemeier  
Vice President



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PUBLIC SERVICE COMPANY OF COLORADO



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WESTERN AREA POWER ADMINISTRATION



Colorado-Ute Electric Association, Inc.

P. O. Box 1149

Montrose, Colorado 81402

Telephone (303) 249-4501

TWX 910-929-6924

January 22, 1982

REC'D JAN 25 1982

Mr. J. K. Fuller  
Public Service Company of Colorado  
P. O. Box 840  
Denver, Colorado 80201

Dear Mr. Fuller:

Rifle to Grand Junction Area  
Transmission Facilities

With reference to the January 8, 1982 meeting in your office, this letter summarizes the discussion and understandings reached as follows:

1. Public Service Company of Colorado is planning to proceed with the immediate construction of transmission system additions to serve oil shale related loads developing in an area north of the Colorado River in the general vicinity of the town of Parachute, Colorado. These system additions initially consist of a substation at Parachute and a radial 230 kv line from the Company's existing Rifle-Cameo 230 kv line north to the Colony Project (Davis Substation). It is important that these facilities be completed and placed in service as soon as possible.

Colorado-Ute has been planning to proceed with the immediate construction of a 138 kv line from its Rifle Substation to a new substation at the Battlement Mesa Project. These facilities would supply power to the Holy Cross Electric Association, which has loads developing in and around the community of Battlement Mesa. Battlement Mesa is located across the Colorado River from the town of Parachute. At the present time, loads in the Battlement Mesa area that exceed 100 kw are certificated to Public Service and are intermingled with Holy Cross loads.



January 22, 1982

Public Service and Colorado-Ute have applied for Special Use Permits from Garfield County to construct and operate the facilities mentioned above.

2. The capacity of the existing Public Service Rifle-Cameo 230 kv line and the proposed Colorado-Ute Rifle-Battlement Mesa 138 kv line is sufficient to serve the near-term loads of both Public Service and Colorado-Ute, but not the combined loads anticipated by the late 1980's.

While the existing Public Service Rifle-Cameo 230 kv line can be uprated for 345 kv operation, it is believed that it can be best used as part of the subtransmission system to serve Colorado River Valley loads between Rifle and Cameo. It is contemplated that this line can be operated at 230 kv into the foreseeable future. As a result, it is agreed that Public Service and Colorado-Ute will jointly proceed to establish, as soon as practicable, a 345 kv system between Rifle and the Grand Junction area (which includes the Cameo generating station), and a tie from the 345 kv system to the transmission system in the Grand Junction area. Additional taps on the 345 kv system may be made by Public Service and Colorado-Ute individually or jointly as required by loads in the area.

As you know, Colorado-Ute and the Western Area Power Administration are presently planning a double-circuit 345 kv line from Rifle to Paonia to Montrose, and beyond, to be constructed as soon as the environmental and regulatory requirements can be completed. Therefore, Colorado-Ute will initiate discussions with WAPA to consider routing one of these circuits between Rifle and the general area around Grand Junction jointly with Public Service.

3. With reference to the delivery of power to the Holy Cross Electric Association, it is agreed that Holy Cross may connect a 25 kv distribution circuit at the Company's



Parachute Substation to serve its Battlement Mesa loads including certain loads exceeding 100 kw which are presently certificated to Public Service. It is further understood that Holy Cross has agreed to, and will wheel power to these Public Service loads in the Battlement Mesa area that exceed 100 kilowatts. It is understood that Public Service will initially wheel power for Colorado-Ute to its Parachute Substation. Based on this arrangement and understanding, Colorado-Ute has suspended its plans to construct a 138 kv transmission line between the Rifle-Battlement Mesa area and has withdrawn its Special Use Permit application before Garfield County.

4. It is agreed that Public Service Company may connect a 25 kv circuit at Colorado-Ute's Rifle Substation to serve the town of Rifle. Colorado-Ute will wheel power for Public Service to Colorado-Ute's Rifle 25 kv Substation bus.
5. An existing wheeling agreement by which reciprocal wheeling services are exchanged involving deliveries for Public Service at Colorado-Ute's 69 kv Rifle Substation Bus and deliveries for Colorado-Ute at points on the Public Service 115 kv Malta-Poncha transmission system will be extended to cover wheeling of additional power as provided for in items 3 and 4 above. Initially, Public Service will provide up to 12 MW of 25 kv capacity at the Parachute Substation for use by Colorado-Ute and Colorado-Ute will provide up to 12 MW of 25 kv capacity at its Rifle Substation for use by Public Service.
6. Public Service and Colorado-Ute agree to provide when appropriate a future interconnection between the two systems at or near Davis Substation (Colony Project).
7. Public Service and Colorado-Ute will continue joint planning studies to further define details for the 345 kv system and associated ties to lower voltage systems referred to in item 2 above. In addition, these studies will include an analysis of long-range needs for



Mr. J. K. Fuller

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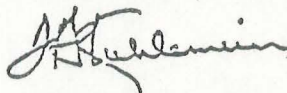
January 22, 1982

additional distribution substation capacity in the Parachute-Battlement Mesa and Rifle areas and provisions for both parties to share such additional substation capacity in an equitable manner.

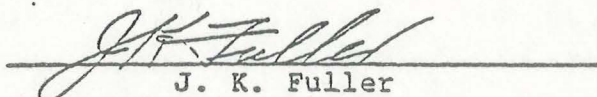
8. It is intended that the above understandings and agreements will be incorporated into an interconnection and transmission service agreement between the parties.

If Public Service Company so concurs with the above, please indicate such concurrence by signing and returning a fully executed copy of this letter to this office.

: Very truly yours,



F. A. Kuhlemeier  
Vice President



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J. K. Fuller

FAK:mj

cc: Mr. Ed Grange, Holy Cross Electric Association



COLORADO-UTE ELECTRIC ASSOCIATION, INC.  
BALANCE SHEET  
June 30, 1982

EXHIBIT E

Assets	Liabilities
<p>Utility Plant (at Cost)</p> <p style="padding-left: 20px;">Utility Plant           \$529,706,137</p> <p style="padding-left: 20px;">Construction Work   in Progress           <u>305,993,331</u></p> <p style="padding-left: 40px;">Total Utility Plant           \$835,699,468</p> <p style="padding-left: 20px;">Less Accumulated Depreciation   and Amortization           <u>77,540,142</u></p> <p style="padding-left: 40px;">Net Utility Plant           \$758,159,326</p> <p>Investments in Other   Associations                   7,304,323</p> <p>Current Assets</p> <p style="padding-left: 20px;">General Cash               2,166,191</p> <p style="padding-left: 20px;">Construction Fund   Cash                   4,951,689</p> <p style="padding-left: 20px;">Other Special   Deposits               14,008,771</p> <p style="padding-left: 20px;">Temporary   Investments             3,600,000</p> <p style="padding-left: 20px;">Receivables               12,973,852</p> <p style="padding-left: 20px;">Materials &amp;   Supplies,   at cost                 21,370,109</p> <p style="padding-left: 20px;">Prepaid Expense           <u>6,756,176</u></p> <p style="padding-left: 40px;">Total Current Assets           65,826,788</p> <p>Notes Receivable               9,874,926</p> <p>Deferred Charges and Other   Assets                       <u>21,868,298</u></p> <p style="text-align: right; padding-right: 20px;"><u>\$863,033,661</u></p>	<p>Equities</p> <p style="padding-left: 20px;">Capital stock of \$5 par value   Authorized 50 shares, issued   14 shares                               70</p> <p style="padding-left: 20px;">Patronage Capital       2,823,305</p> <p style="padding-left: 20px;">Other Member   Equities               <u>(3,099,584)</u></p> <p style="text-align: right; padding-right: 20px;">(276,209)</p> <p>Long Term Debt</p> <p style="padding-left: 20px;">Federal Finance   Bank                   532,073,000</p> <p style="padding-left: 20px;">Rural Electrifica-   tion Administra-   tion                   147,096,484</p> <p style="padding-left: 20px;">National Rural   Utilities Coop-   erative Finance   Corp.                   53,246,580</p> <p style="padding-left: 20px;">Pollution Control   Bonds                   <u>60,849,136</u></p> <p style="padding-left: 40px;">Total Long Term   Debt                               793,265,200</p> <p>Current Liabilities</p> <p style="padding-left: 20px;">Accounts Payable       34,638,243</p> <p style="padding-left: 20px;">Accrued Expenses       10,256,427</p> <p style="padding-left: 20px;">Notes Payable           <u>25,150,000</u></p> <p style="padding-left: 40px;">Total Current Liabilities       70,044,670</p> <p style="text-align: right; padding-right: 20px;"><u>\$863,033,661</u></p>



COLORADO-UTE ELECTRIC ASSOCIATION, INC.  
 STATEMENT OF OPERATIONS AND EQUITY  
 12 Months Ended June 30, 1982

Operating Revenue	\$112,843,853
Operating Revenue Deductions	
Production Expense	37,854,805
Other Power Supply Expense	7,240,596
Transmission Expense	4,627,029
Administration & General Expense	4,859,192
Depreciation & Amortization Expense	14,531,828
Taxes	<u>6,082,688</u>
Total Operating Revenue Deductions	<u>75,196,138</u>
Electric Operating Margins	37,647,715
Interest & Other Deductions	
Interest	70,318,337
Allowance for Funds Used in Construction	( 34,869,149)
Other Deductions	<u>105,841</u>
Total Interest & Other Deductions	35,555,029
Operating Margins	2,092,686
Non-operating Margins	<u>143,691</u>
Total Margins	2,236,377
Equity at Beginning of Year	( 2,512,586)
Equity at End of Year	( 276,209)



PUBLIC SERVICE COMPANY OF COLORADO  
COMPARATIVE BALANCE SHEET

ASSETS

	At June 30	
	1982	1981
Property, plant and equipment, at cost:		
Electric	\$2,038,613,695	\$1,517,123,401
Gas	328,965,678	310,805,895
Steam and other	12,294,926	9,434,825
Common to all departments	83,517,920	79,228,737
Construction in progress	84,812,004	470,006,578
	2,548,204,223	2,386,599,436
Less accumulated provision for depreciation	642,785,044	566,099,105
	1,905,419,179	1,820,500,331
Nuclear fuel, less accumulated provision for amortization (1982-\$3,921,313; 1981- \$2,714,352)	22,635,236	8,096,378
	1,928,054,415	1,828,596,709
Investments:		
Subsidiaries consolidated:		
Equity at June 30	80,683,455	44,494,988
Notes receivable	4,205,012	28,442,076
Other, at cost	72,019	158,662
	84,960,486	73,095,726
Current assets:		
Cash	17,804,220	9,188,391
Temporary cash investments	--	18,359,267
Accounts receivable, less provision for uncollectible accounts (1982-\$3,693,008; 1981-\$2,871,487)	101,895,985	70,045,841
Current accounts with subsidiaries consolidated	1,921,624	1,506,844
Notes receivable from associated companies	14,472,010	--
Notes receivable	27,295	86,828
Fuel inventory, at average cost	68,339,548	61,810,805
Materials and supplies, at average cost	46,417,260	42,190,042
Cost of gas delivered but not billed to customers	20,964,284	4,315,311
Gas in underground storage, at cost (LIFO)	(5,126,126)	(4,391,795)
Prepaid expenses	1,428,230	2,807,795
Total current assets	268,144,330	205,919,329
Deferred charges:		
Debt expense (being amortized)	7,803,531	6,767,880
Other	23,101,427	11,466,877
	30,904,958	18,234,757
	\$2,312,064,189	\$2,125,846,521

The accounts of the Company since December 31, 1981 have not been examined by independent public accountants.

Not to be made public unless accompanied by footnotes similar to those contained in the Company's Annual Report for 1981.

*The information contained herein is given in response to your request for information covering the company and not in connection with any sale, offer for sale, or offer to buy any securities.*



PUBLIC SERVICE COMPANY OF COLORADO  
COMPARATIVE BALANCE SHEET

CAPITAL AND LIABILITIES

	At June 30	
	1982	1981
Common stock (Note 1)	\$ 596,957,155	\$ 573,779,384
Retained earnings	165,764,758	151,541,386
Total common equity	<u>762,721,913</u>	<u>725,320,770</u>
Preferred stock (Note 1):		
Not subject to mandatory redemption	140,007,500	140,007,500
Subject to mandatory redemption at par	89,400,000	89,400,000
Long-term debt (Note 2)	815,002,169	738,098,360
	<u>1,807,131,582</u>	<u>1,692,826,630</u>
Current liabilities:		
Notes payable	48,898,858	--
Long-term debt due within one year	--	45,516,252
Accounts payable	99,209,795	89,054,335
Current accounts with subsidiaries consolidated	5,584,306	4,895,997
Dividends payable	24,278,030	22,645,237
Customer deposits	6,862,478	8,030,671
Accrued taxes	52,612,447	42,335,899
Accrued interest	16,564,815	16,347,764
Other	13,168,562	12,133,157
Total current liabilities	<u>267,179,291</u>	<u>240,959,312</u>
Deferred credits:		
Customer advances for construction	25,714,626	24,522,614
Investment credit (being amortized over the productive lives of the related property)	124,238,186	111,228,339
Accumulated deferred income taxes:		
Due to accelerated amortization	11,318,286	10,533,742
Due to accelerated depreciation	49,533,849	27,943,178
Other	26,948,369	17,832,706
	<u>237,753,316</u>	<u>192,060,579</u>
	<u>\$2,312,064,189</u>	<u>\$2,125,846,521</u>

The accounts of the Company since December 31, 1981 have not been examined by independent public accountants.

Not to be made public unless accompanied by footnotes similar to those contained in the Company's Annual Report for 1981.

*The information contained herein is given in response to your request for information covering the company and not in connection with any sale, offer for sale, or offer to buy any securities.*



PUBLIC SERVICE COMPANY OF COLORADO  
COMPARATIVE STATEMENT OF INCOME

	<u>Twelve Months Ended June 30</u>	
	<u>1982</u>	<u>1981</u>
Operating revenues:		
Electric	\$ 783,929,105	\$ 678,190,650
Gas	555,766,874	464,875,820
Other	8,703,230	6,911,447
	<u>1,348,399,209</u>	<u>1,149,977,917</u>
Operating expenses:		
Fuel used in generation	186,850,738	169,416,341
Gas purchased for resale	447,197,746	372,200,263
Purchased power	100,600,495	103,003,818
Other operating expenses	194,557,613	163,268,326
Maintenance	54,729,919	46,005,726
Depreciation	72,810,350	61,456,690
Taxes (other than income taxes)	56,101,745	44,691,402
Income taxes	84,654,105	65,945,465
	<u>1,197,502,711</u>	<u>1,025,988,031</u>
Operating income	<u>150,896,498</u>	<u>123,989,886</u>
Other income and deductions:		
Allowance for equity funds used during construction	11,076,247	16,769,479
Equity in earnings of subsidiary companies	4,537,602	3,219,533
Interest from subsidiaries	3,621,227	980,984
Miscellaneous income and deductions-net	4,342,788	6,092,055
	<u>174,474,362</u>	<u>151,051,937</u>
Interest charges:		
Interest on long-term debt	64,588,939	59,139,088
Amortization of debt discount and expense-less premium	623,187	592,711
Other interest	5,649,625	3,208,501
Allowance for borrowed funds used during construction	(7,073,673)	(12,187,255)
	<u>63,788,078</u>	<u>50,753,045</u>
Net income for period	<u>\$ 110,686,284</u>	<u>\$ 100,298,892</u>

The accounts of the Company since December 31, 1981 have not been examined by independent public accountants.

Not to be made public unless accompanied by footnotes similar to those contained in the Company's Annual Report for 1981.

*The information contained herein is given in response to your request for information covering the company and not in connection with any sale, offer for sale, or offer to buy any securities.*



COLORADO-UTE ELECTRIC ASSOCIATION, INC.  
 STATEMENT OF CAPITAL STRUCTURE AT JUNE 30, 1982 AND  
 PRO FORMA, GIVING EFFECT TO ISSUANCE OF PROPOSED SECURITIES

	<u>Actual</u> <u>June 30, 1982</u>	<u>Issuance of</u> <u>Proposed</u> <u>Securities</u>	<u>Pro Forma</u> <u>June 30, 1982</u>
Equity	(\$ 318,138)	\$ -0-	(\$ 318,138)
Long Term Debt	<u>776,802,076</u>	<u>130,000,000</u>	<u>906,802,076</u>
Total Capitalization	<u>\$776,483,938</u>	<u>\$130,000,000</u>	<u>\$906,483,938</u>
Equity Percentages	( .0004)		( .00035)
Debt Percentages	1.0004		1.00035





## Department Of Energy

Western Area Power Administration  
P.O. Box 3402  
Golden, Colorado 80401

JUL 9 1982

Mr. Girts Krumins  
President  
Colorado-Ute Electric  
Association, Inc.  
P.O. Box 1149  
Montrose, CO 81401

Dear Mr. Krumins:

This is in regard to the Western Area Power Administration (Western) and Colorado-Ute Electric Association, Inc. (Colorado-Ute) joint development of the multi-circuit extra-high-voltage transmission line in western Colorado. The proposed 345-kV system would resolve the area's transmission deficiencies to the mutual benefit of both our organizations. We are, however, very concerned about the present status of the joint development project. It seems to be on hold in spite of your efforts to develop a coordinated transmission plan to meet various transmission needs in an economical and environmentally acceptable manner.

Western's interest in eliminating duplication by jointly developing transmission facilities, as well as our needs for enhanced transmission in western Colorado, remains unchanged. We are particularly concerned about the adverse impacts to interconnected system stability resulting from transient outages of our existing single-circuit 230-kV Rifle-Shiprock line. Our records show that since June 1980 the Rifle-Shiprock line has either initiated or compounded 9 of the 22 disturbances within the Western Systems Coordinating Council (WSCC) - exclusive of the WSCC eastern islanding scheme (two operations). These disturbances caused loss of local load and were reflected into other areas of WSCC, particularly Wyoming and Montana. Utility systems in these areas have experienced extended blackouts and received strong complaints from industrial customers.

While we strive to eliminate unreliable service at any level, uncontrolled cascading outages are absolutely unacceptable and indicate noncompliance with WSCC system design criteria and its accepted performance levels. With the strengthening of transmission in other regions, the western Colorado transmission system now is identified as the weakest segment within WSCC. The need for its improvement is no longer a local or State issue but is now one which has received regional and national attention through WSCC and the North American Electric Reliability Council's (NERC) reportings.

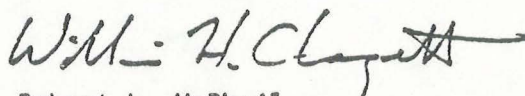


Western's established need for increased transmission capacity is not based on load growth and has not diminished. Our 230-kV line loading has a direct impact on transfer limits of adjacent systems in Utah and Wyoming. The various established simultaneous limits are lower than nonsimultaneous limits and tend to erode our ability to satisfy desired transfer levels. The actual schedule capability is further reduced by adverse loop flows within WSCC.

Western is fully aware of Colorado-Ute's efforts to minimize the environmental impact by constructing a double-circuit facility; however, construction of a single-circuit 345-kV Rifle-Shiprock line is a viable solution to Western's transmission needs, to some of your needs, and would restore the system to WSCC reliability criteria. This option would still provide the opportunity to jointly uprate the existing 230-kV line and should be given serious consideration.

We invite your comments on this approach or other alternatives leading to timely construction of extra-high-voltage transmission facilities in western Colorado.

Sincerely,



*for*  
Robert L. McPhail  
Administrator

cc:  
Mr. R. F. Walker  
President and Chief Executive Officer  
Public Service Company of Colorado  
550 15th Street  
Denver, CO 80202

Mrs. Edythe Miller  
Chairwoman  
Colorado Public Utilities Commission  
Room 550  
1525 Sherman Street  
Denver, CO 80203



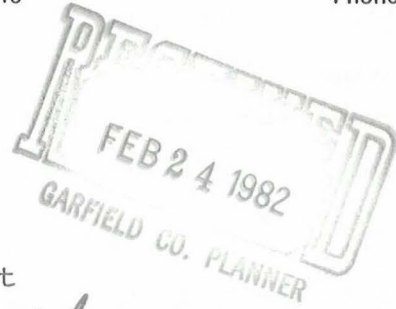
GARFIELD COUNTY  
COUNTY ATTORNEY'S OFFICE

P.O. Box 640

Glenwood Springs, Colorado 81602-0640

Phone 945-9158

MEMORANDUM



TO: Davis Farrar, Planning Department  
FROM: Earl G. Rhodes, County Attorney *ER*  
DATE: February 22, 1982  
SUBJECT: Colorado-Ute Electric Letter dated 2/12/82

Please find a copy of a letter to Larry Velasquez dated February 12, 1982, from Colorado-Ute Electric Association, Inc. I would think that you would want to review this and keep this in your files.

/tb  
Attachments



Colorado-Ute Electric Association, Inc.

P. O. Box 1149

Montrose, Colorado 81402

Telephone (303) 249-4501

TWX 910-929-6924

February 12, 1982

Larry Valasquez, Chairman  
Garfield County Commissioners  
P. O. Box 640  
Glenwood Springs, CO 81602

Dear Chairman Valasquez:

Rifle-San Juan 345 kv Transmission Line  
Public Utilities Commission Decision No. C82-199

The Colorado Public Utilities Commission (PUC) has issued its Decision No. C82-199, dated February 5, 1982, denying Colorado-Ute's application for a Certificate of Public Convenience and Necessity to construct the proposed Rifle-San Juan 345 kv Transmission Line. I am enclosing a copy of the PUC Decision for your information.

The PUC decision has unfortunately created a roadblock to Colorado-Ute's efforts to provide continued reliable electric service to its members in Southwest Colorado. Due to the numerous legal and factual errors contained in the decision, Colorado-Ute will seek rehearing of the PUC decision. The reasons for Colorado-Ute's decision to seek rehearing are set forth in the statement by Colorado-Ute President Girts Krumins, which was released at a press conference yesterday, February 11, 1982. A copy of Mr. Krumin's statement is enclosed.

Something must be done as soon as possible to assure that electric service is maintained. Therefore, Colorado-Ute, after consulting with other electric power suppliers, has restructured the Rifle-San Juan Transmission Line so that it can be constructed in phases. A summary sheet showing the proposed phased project is attached to Mr. Krumin's statement.

The first step would be the construction of one 345 kv circuit, on towers designed for two circuits, from Rifle, Colorado to San Juan, New Mexico. The second phase would be upgrading of the existing Western Area Power Administration 230 kv line from Rifle to Shiprock, New Mexico, to 345 kv. The third and final phase would be the addition of a second circuit of 345 kv line to the towers constructed in phase one. This last phase would not be constructed until it is needed sometime in the 1990's or later.



February 12, 1982

Colorado-Ute would own 50 percent of each phase of the project, instead of 70 percent of one double-circuit 345 kv line, as originally proposed. This will ultimately result in 750 megawatts of Colorado-Ute-owned capacity, added in 250 megawatt increments, however, instead of a one-time increase of 700 megawatts.

As indicated on the summary sheet, the Rifle-Delta portion of phase one of the project may be routed via Grand Junction, instead of the Hotchkiss-Paonia area, if Public Service Company of Colorado participates in the line. The general route for the remainder of the project will probably be the same or similar to that originally proposed.

Colorado-Ute looks forward to working with all of the counties and federal agencies involved, so that when this badly-needed project is finally approved, Colorado-Ute can begin construction as soon as possible. I will continue to keep you informed of the status of the PUC review of this project.

Very truly yours,



John R. McNeill, Manager  
Right-of-Way & Land Acquisition

JRM/dcm

Enc.

cc: Identical letters have been  
sent to the persons shown on  
attached list.



Larry Valasquez, Chairman  
Garfield County Commissioners  
P. O. Box 640  
Glenwood Springs, CO 81602

Maxine Albers, Chairperson  
Mesa County Commissioners  
P. O. Box 2128  
Grand Junction, CO 81502

John Hawkins, Chairman  
Delta County Commissioners  
5th & Palmer  
Delta, CO 81416

Neil Reams, Chairman  
Montrose County Commissioners  
P. O. Box 1289  
Montrose, CO 81402

Fred H. Ellerd, Chairman  
San Miguél County Commissioners  
P. O. Box 548  
Telluride, CO 81435

Wayne Twilley, Chairman  
Dolores County Commissioners  
Box 58  
Dove Creek, CO 81324

William C. Bauer, Chairman  
Montezuma County Commissioners  
101 W. Main  
Cortez, CO 81321

Sara Duncan Chairperson  
La Plata County Commissioners  
Box 3220  
Durango, CO 81302

David A. Calhoon, Chairman  
Ouray County Commissioners  
P. O. Bin C  
Ouray, CO 81427

Marlyn V. Jones, District Manager  
Bureau of Land Management  
U. S. Department of the Interior  
P. O. Box 1269  
Montrose, CO 81402

David A. Jones, District Manager  
Bureau of Land Management  
U. S. Department of the Interior  
764 Horizon Drive  
Grand Junction, CO 81501

Paul C. Sweetland, Forest Supervisor  
San Juan National Forest  
U. S. Department of Agriculture  
Federal Building  
701 Camino Del Rio  
Durango, CO 81301

Jimmy R. Wilkins, Forest Supervisor  
Grand Mesa, Uncompahgre & Gunnison  
National Forests  
U. S. Department of Agriculture  
P. O. Box 138  
Delta, CO 81416

Richard E. Woodrow, Forest Supervisor  
White River National Forest  
U. S. Department of Agriculture  
P. O. Box 948  
Glenwood Springs, CO 81602





# public information

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STATEMENT BY PRESIDENT GIRTS KRUMINS

February 11, 1982

The commission decision, announced on January 12 and printed about four weeks later, has created a serious obstacle in our efforts to continue reliable electric service in southwestern Colorado.

Nevertheless, it is the sole responsibility of Colorado-Ute and its member systems to provide the service needed by the consumers in that area. And we will do everything within our power to accomplish this.

Of necessity, the first step will be to seek rehearing of the commission decision, which cannot be permitted to stand because it is replete with legal and factual errors of great importance.

The commission decision completely disregards the recommendations of its own hearing examiner who heard the case. Likewise, the commission ignored the recommendations of its own professional staff. In addition, the commission severely criticized Colorado-Ute's load forecasting methodology which is prescribed for Colorado-Ute by an agency of the federal government. In its decision, the commission failed to mention, let alone even consider, its own existing forecasts of Colorado-Ute member system requirements. Those forecasts are not substantially different from Colorado-Ute's projections.

--more--



In our opinion, the most serious legal error in the decision is the commission's apparent view that a public utility must show that its own service is inadequate before it can propose to build additional facilities required to maintain an adequate level of service in the territory in which it is the sole supplier.

Major generation and transmission projects require five to ten years of lead time. If the commission's decision should stand as written, large areas in the State of Colorado could have years of blackouts in ever-increasing numbers before the situation could be remedied.

We do not believe that the commission meant to say that it will not permit a public utility to start construction of additional facilities unless and until the existing system becomes inadequate -- in other words, when the lights go out.

For these reasons, Colorado-Ute is compelled to ask for rehearing instead of filing a new transmission line application at this time.

But something has to be done and done quickly to keep the lights on in southwestern Colorado. Therefore, in consultation with other electric power suppliers, we have restructured the proposed Rifle-San Juan transmission line project so that it can be constructed in phases. We will present this proposal to the commission for its consideration.



PROPOSED PHASING OF RIFLE-SAN JUAN TRANSMISSION SYSTEM

1. Construct one circuit 345 kv line from Rifle to San Juan on towers designed for two circuits \*

Colorado-Ute Electric Association - 50% share  
Western Area Power Administration - 50% share

2. Upgrade present Western Area Power Administration 230 kv line from Rifle to Shiprock to 345 kv

Colorado-Ute Electric Association - 50% share  
Western Area Power Administration - 50% share

3. Add second circuit to new Rifle-San Juan line

Colorado-Ute Electric Association - 50% share  
Western Area Power Administration - 50% share

\* Rifle-Delta portion may be routed via Grand Junction if Public Service Company of Colorado participates.



(Decision No. C82-199)

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF COLORADO

\* \* \*

IN THE MATTER OF THE APPLICATION )	
OF COLORADO-UTE ELECTRIC ASSO- )	
CIATION, INC., P. O. BOX 1149, )	
MONTROSE, COLORADO, 81401, FOR A )	APPLICATION NO. 33226
CERTIFICATE OF PUBLIC CONVENIENCE )	
AND NECESSITY TO CONSTRUCT, )	COMMISSION DECISION
OPERATE AND MAINTAIN A 345 KV )	GRANTING EXCEPTIONS OF
TRANSMISSION LINE AND RELATED )	GUNNISON RIVER COALITION AND
SUBSTATION FACILITIES, TO BE )	WRIGHTS MESA ELECTRIC CONSUMERS
LOCATED IN NINE COUNTIES IN )	ASSOCIATION, AND DENYING EXCEPTIONS OF
WESTERN COLORADO, AND ONE COUNTY )	COLORADO AND NATIONAL WILDLIFE
IN NEW MEXICO, SUCH FACILITIES )	FEDERATION, AND DENYING
COLLECTIVELY TO BE KNOWN AS THE )	APPLICATION
RIFLE-SAN JUAN 345 KV TRANSMIS- )	
SION LINE. )	

-----  
February 5, 1982  
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STATEMENT AND FINDINGS

BY THE COMMISSION:

On October 10, 1980, Colorado-Ute Electric Association, Inc., (herein-  
after "Colorado-Ute"), filed the instant application. By this application,  
Colorado-Ute seeks a certificate of public convenience and necessity to  
construct, operate and maintain a 345 KV transmission line in nine counties  
in western Colorado, and one county in New Mexico. Hereinafter, such trans-  
mission line may be referred to as the "Rifle-San Juan Line."

The following parties filed requests to intervene in this proceeding.  
Such requests were granted on the following dates by the following Commission  
Decisions:



<u>INTERVENOR</u>	<u>DATE</u>	<u>GRANTED BY DECISION NO.</u>
Ronald K. Dessain	November 21, 1980	C80-236
High Country Citizens Alliance	December 1, 1980 & March 9, 1980	C80-458
Wrights Mesa Electric Consumers Association	January 15, 1981	C81-113
Empire Electric Association	January 23, 1981	C81-236
Robert T. Colgan, James M. Jackson & Ben D. Shaw	February 4, 1981	C81-279
Western Colorado Utility Taskforce	March 26, 1981	ER81-1
Gunnison River Coalition	April 2, 1981	ER81-11
Delta-Montrose Electric Association	April 13, 1981	R81-724-I

The matter was initially set for hearing in Montrose, Colorado on March 18 and 19, 1981, by Notice issued December 19, 1980. That hearing date was vacated and the matter was reset for May 18 through 20, 1981, Montrose, Colorado. As rescheduled, the matter was heard on May 18, 19, and 20, 1981. However, the hearing not being completed, the matter was set for further hearing on July 14, 1981, Montrose, Colorado, and continuing thereafter through the 17th of July, 1981 if necessary. The matter was heard on each of those days and was concluded on July 17, 1981.

At the commencement of hearing on May 18, 1981, a motion to add co-intervenors was presented by the National Wildlife Federation and the Colorado Wildlife Federation, requesting leave for such parties to intervene. The motion was denied on the grounds that it was extremely late, being filed after hearing had commenced, that good cause for being late had not been shown, that a substantial personal interest had not been shown, and that the petition did not show the nature and quality of the evidence to be presented. On June 25, 1981, a letter was filed with



the Commission asking that this ruling be reconsidered. A response to said letter was filed by Colorado-Ute on July 2, 1981. Decision No. R81-1201-I was issued on July 8, 1981, striking the letter request. The National and Colorado Wildlife Federations filed a response to Colorado-Ute's request to strike on July 9, 1981. At the commencement of Hearing on July 14, 1981, a letter was tendered to the Examiner from the National Wildlife Federation and the Colorado Wildlife Federation asking that the formal response filed on July 9, 1981, be considered as a motion to set aside the order denying intervention status to those entities. Colorado-Ute filed a response to the letter motion on July 21, 1981. By Recommended Decision No. R81-1891, the Examiner treated the response filed on July 9, 1981, as a motion to set aside interim order, and concluded that sufficient grounds were not set forth therein to modify the ruling denying intervention status to the National and Colorado Wildlife Federations.

Over the seven days of hearing, testimony was heard from the parties to the proceeding and from 37 public witnesses. Numerous letters, cards, and petitions were received, some in favor of the application and some opposed to the application.

Exhibits 1 through 72 were marked for identification during the hearing. All such exhibits were admitted, with the exception of Exhibit No. 7, which was rejected. In addition to the numbered exhibits, lettered exhibits A through J were marked for identification and admitted into evidence. At the conclusion of the hearing, the parties were granted until August 10, 1981, to file statements of position if they so desired, and the subject matter was taken under advisement by the Examiner.

Statements of position were filed on behalf of Delta-Montrose Electric Association, Colorado-Ute, the Staff of the Commission, and the Gunnison River Coalition and Wrights Mesa Electric Consumers Association.



On November 13, 1981, Hearings Examiner Robert E. Temmer issued Recommended Decision No. R81-1891 (hereinafter Decision No. R81-1891). By said decision, the Examiner recommended that a certificate of public convenience and necessity be granted to Colorado-Ute for that portion of the Rifle-San Juan 345 KV transmission line from Delta, Colorado, south to the Colorado-New Mexico border. The Examiner further recommended that the Staff proposal be implemented by Colorado-Ute for that portion of the proposed transmission line extending from Delta, Colorado, north to Rifle, Colorado. The Examiner conditioned the implementation of the Staff proposal by Colorado-Ute upon the following: "Colorado-Ute shall contact the owners of the two lines to be upgraded to secure their cooperation, and shall make a comparative analysis of the two alternatives. Said study shall be filed with this Commission within forty-five days of the effective date of this order, and if it shows the upgraded lines and related facilities to be more favorable, this condition shall be satisfied. If the study does not show that result, this matter may be set for further hearing to determine what facilities should be certificated for the area north of Delta."

On December 3, 1981, the Gunnison River Coalition and Wrights Mesa Electric Consumers Association filed consolidated exceptions to Decision No. R81-1891. Also contained in such consolidated exceptions are the exceptions of the Colorado and National Wildlife Federation regarding the denial of party status. Colorado-Ute filed response to the consolidated exceptions of Gunnison River Coalition and Wrights Mesa Electric Consumers Association, and on denial of party status only of Colorado and National Wildlife Federation on December 14, 1981.



The Commission has reviewed the record of proceedings in this application, together with the transcripts of testimony and exhibits, the various statements of position and other pleadings filed by the parties herein. On the basis of that review, the Commission finds that it should enter its own findings of fact and conclusions of law in the decision herein without regard to the recommended decision of the Examiner.

#### FINDINGS OF FACT

##### THE COMMISSION FINDS:

##### A. THE PARTIES

Colorado-Ute is a public utility engaged in the transmission, generation, purchase and sale of electric power and energy. It sells the electric power and energy at wholesale, principally to its 14 members. Its members are rural electric distribution cooperatives in the State of Colorado.

Delta-Montrose Electric Association, Inc., and Empire Electric Association, intervenors in this proceeding, are members of Colorado-Ute. They receive all of their power from Colorado-Ute pursuant to all requirements contracts.

The Gunnison River Coalition and the Wrights Mesa Electric Consumers Association are citizens groups. These two organizations will hereinafter be referred to as "intervenors." Any other intervening party will be referred to by name.



B. COLORADO-UTE'S PROPOSAL FOR A 345 KV TRANSMISSION LINE AND RELATED  
SUBSTATION FACILITIES

As indicated earlier in this decision, Colorado-Ute, on October 10, 1980, filed with this Commission the instant application seeking a certificate of public convenience and necessity for the construction, operation, and maintenance of a double circuit 345 KV transmission line and related substation facilities, such facilities collectively to be known as the Rifle-San Juan 345 KV Transmission Line. The line would extend from Colorado-Ute's Rifle Substation, near Rifle, Colorado, south to New Mexico, with one circuit ending at the San Juan Generating Station, and the other circuit ending at the Shiprock Substation. It is proposed that the double circuit line would proceed generally south from Rifle to the Paonia-Hotchkiss area, then would proceed west to the Delta area, then would proceed southerly to the Lost Canyon Substation near Cortez, then easterly to the proposed Hesperus Substation near Durango, then southerly to New Mexico, and the termination points. The exact siting of the line would be determined in accordance with applicable law and is not an issue in this proceeding, as only the general route of the line is an issue in this proceeding. The line will cover approximately 290 miles. It is proposed by Colorado-Ute that there would be substations, either at the outset or in the future, designated as the North Fork Substation, which would be in the Paonia-Hotchkiss area, the Delta Substation, which would be near Delta and would really be for future use, at Montrose, at Norwood, at Lost Canyon and at Hesperus.

Colorado-Ute, in its application, stated that it would have an ownership interest in the San Juan 345 KV transmission line of between 65 and 70 percent and that the Western Area Power Administration (WAPA), an agency of the United States Department of Energy, would have an ownership interest of between 30 and 35 percent. Colorado-Ute stated that details as to the exact ownership percentages of the substation facilities and



responsibilities for construction, operation and maintenance of the San Juan line had not been finalized as of the date of its application, but that ownership of the terminal and substation facilities would be determined by the requirements and benefits to the "respective parties."

Colorado-Ute has major generating facilities in the Hayden-Craig area of northwest Colorado. At the present time, Colorado-Ute has a 138 KV - 115 KV transmission system that runs from Hayden through the Rifle Substation and southwestern Colorado to the New Mexico border. Colorado-Ute, along with others, also has a 230 KV transmission line that runs from the Hayden-Craig area to the Rifle Substation. This transmission line was built so that it could be uprated to 345 KV. This will be done. WAPA has a 230 KV transmission line that runs from the Hayden-Craig area to its Rifle Substation and south from Rifle through Curecanti and Lost Canyon to New Mexico. This portion of the line from Hayden to Rifle is being uprated to 345 KV.

The proposed double circuit 345 KV transmission line would roughly follow WAPA's 230 KV line from Rifle to the Paonia-Hotchkiss area, then would leave that route and go west and then roughly follow Colorado-Ute's 115 KV line to the Norwood area, then would leave the route of that line and go back to roughly follow the route of the WAPA 230 KV line to Lost Canyon. It would then again follow Colorado-Ute's 115 KV line to the Hesperus area and then go south to the New Mexico border. It is proposed that Colorado-Ute's existing 115 KV line will become a sub transmission system and be transferred to Colorado-Ute's members.

Colorado-Ute has indicated that the three main purposes to be served if the double circuit 345 KV line is built is to serve its member loads in the southwestern part of the state, to strengthen the interconnected transmission system in the area, and to provide a base transmission system to tie in new base load generating facilities.



C. PUBLIC CONVENIENCE AND NECESSITY: THE LEGAL PARAMETERS:

The construction of a new facility, plant or system, such as the proposed Rifle-San Juan 345 KV Transmission Line, is governed by CRS 1973, 40-5-101 which states:

40-5-101. New construction - extension. (1) No public utility shall begin the construction of a new facility, plant, or system or of any extension of its facility, plant, or system without first having obtained from the Commission a certificate that the present or future public convenience and necessity require or will require such construction. Sections 40-5-101 to 40-5-104 shall not be construed to require any corporation to secure such certificate for an extension within any city and county or city or town within which it has theretofore lawfully commenced operations, or for an extension into territory, either within or without a city and county or city or town, contiguous to its facility, line, plant, or system and not theretofore served by a public utility providing the same commodity or service, or for an extension within or to territory already served by it, necessary in the ordinary course of its business. If any public utility, in constructing or extending its line, plant, or system interferes or is about to interfere with the operation of the line, plant, or system of any other public utility already constructed, the Commission, on complaint of the public utility claiming to be injuriously affected, after hearing, may make such order prohibiting such construction or extensions or prescribing such terms and conditions for the location of the lines, plants, or systems affected as to it may seem just and reasonable.

(2) Whenever the Commission, after a hearing upon its own motion or upon complaint, finds that there is or will be a duplication of service by public utilities in any area, the Commission shall, in its discretion, issue a certificate of public convenience and necessity assigning specific territories to one or to each of said utilities or by certificate of public convenience and necessity to otherwise define the conditions of rendering service and constructing extensions within said territories and shall, in its discretion, order the elimination of said duplication upon such terms as are just and reasonable, having due regard to due process of law and to all the rights of the respective parties and to public convenience and necessity.

Although the Public Utility Law itself does not set forth any standards to guide the Commission in determining whether a new facility, plant or system is required by the public convenience and necessity, Colorado case law does provide some guidance for the Commission's determination of when the public convenience and necessity requires the construction of a facility, or a plant, or a system.



In Western Colorado Power Co. v. Public Utilities Commission, 159 Colo. 262, 411 P.2d 785, appeal dismissed 385 U.S. 22, 87 S. Ct. 230, 17 L.Ed. 2d 21, rehearing denied 385 U.S. 984, 87 S. Ct. 500, 17 L.Ed. 2d 445 (1966), the Colorado Supreme Court held that proof of public convenience and necessity is mandatory prior to the construction of any new facility, plant or system; the Court also set forth some basic principles of public convenience and necessity. First, section 40-5-101, supra, is the foundation of the principle of regulated monopoly. It was designed to prevent duplication of facilities and competition between utilities. Second, any public utility service, facility or plant which creates rather than prevents duplication is not in the public convenience and necessity. Third, the inadequacy of existing facilities must be shown in order for the Commission to authorize a new service or construction of a new facility or plant. Id., 159 Colo. at 273-274, 411 P.2d at 791. In Western Colorado Power, the Court held that the Hayden I electric generating plant constructed by Colorado-Ute was not required by the public convenience and necessity. The Court specifically found from the record that adequate electric service was available to serve the needs of Colorado-Ute's proposed new customers; that the construction of the Hayden plant, which required an investment of \$30 million, was not necessary to supply any electric requirements for the present or foreseeable future; that Colorado ratepayers should not be required to pay for the plant through their rates; and that the Hayden plant was an unnecessary duplication of existing electric facilities which were adequate to supply the needs of the public. Id., 159 Colo. at 278-279, 411 P.2d at 793-804.

Under section 40-5-101, the Commission has the power and authority to issue all or part of the requested certificate of public convenience and necessity ("CPCN") and to attach to a CPCN such terms and conditions as in the Commission's judgement may be required by the public convenience and necessity. See C.R.S. 1973, 40-5-103(1) as



amended by H.B. 1035; cf., International Union, United Mine Workers of America v. Public Utilities Commission, 170 Colo. 556, 463 P.2d 465 (1970).

Basically then, the question of public convenience and necessity revolves around three questions: (1) is there a need to be met, (2) is the proposed construction operationally feasible to meet the need, if such there be, and (3) is the construction proposal financially feasible.

D. COLORADO-UTE, ON THE BASIS OF THE RECORD HEREIN, CANNOT BE FOUND TO BE FINANCIALLY CAPABLE OF CONSTRUCTING THE PROPOSED RIFLE-SAN JUAN 345 KV TRANSMISSION LINE AND PROVIDING ADEQUATE SERVICE AT REASONABLE RATES.

It is axiomatic that a utility seeking a certificate of public convenience and necessity must submit to the regulatory body with authority to issue the certificate data showing the utility's "estimated cost of construction and expenses of operation" and "how it plans to raise the money needed to construct its plant."<sup>1</sup> This Commission has formalized this requirement in its Rules of Practice and Procedure.

Appendix H. IV. A., states:

A. Application for a Certificate of Public Convenience and Necessity -- Initial Issuance, Extension, Transfer or to Exercise Franchise Rights.

When application is made for authority for a certificate of public convenience and necessity, extension, transfer or to exercise franchise rights, the applicant in addition to complying with the rules applicable to all pleadings, particularly Rules 11 and 13, will submit the information where applicable and appropriate either in the application or as exhibits.

1. Name and address of applicant. If individual, state in addition if trade name is to be used, ie., John Smith, dba (doing business as) Farmers' Utility Company;

a. If a partnership, name and address of co-partners and trade name, if any;

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<sup>1</sup>Welch, Francis X., Cases and Text on Public Utility Regulation (1968 Rev. Ed.), at page 78. On the showings requisite to a utility's obtaining a certificate of public convenience and necessity, Welch concludes: "In short, it will have to demonstrate that it, as a utility business, could provide adequate service at a reasonable price." Id. (emphasis in original)



- b. If a corporation incorporated under the laws of the State of Colorado, a copy of its Articles of Incorporation with all amendments to date certified by the Secretary of State of the State of Colorado. If an out-of-state corporation, a certified copy of its Articles of Incorporation and amendments to date, certified by the Secretary of State of its state of incorporation and attached thereto a copy of its authorization to do business in Colorado, certified by the Secretary of State of Colorado; or reference to filing if already on file with the Public Utilities Commission.
2. Description of type of utility service rendered or to be rendered and a written description of the area served or sought to be served; a map of the area sought suitably marked to conform with the written description in the application.
  3. A feasibility study showing estimated investment, income and expense.
  4. A copy of the proposed tariff showing the proposed rates, rules and regulations.
  5. Evidence of financial ability to carry out operation contemplated in certificate request including a verified recent financial balance sheet, operating and earned surplus statement, if any, for a 12-month period ending as of date of balance sheet.
  6. Names of public utilities of like character serving in or near the area sought in the application.
  7. Statement that competent evidence will be presented at the hearing to show qualifications of applicant to conduct the utility operations sought in the application, and that public convenience and necessity requires the granting of the application.
  8. In application to exercise franchise rights, also certified copy of franchise ordinance, proof of publication, adoption and acceptance by the company attached to the original application, number of customers served or to be served, population of city or town and any other pertinent information.
  9. Application to transfer existing certificate of public convenience and necessity may be by joint or separate applications by the transferor and transferee containing attached copies of sales agreement or contract of sale together with all instruments pertaining to the transfer; also statement showing accounting entries, including any plant acquisition adjustment amount proposed, on the books by both parties before and after the proposed transfer, all in accordance with the Uniform System of Accounts prescribed by this Commission. Evidence that the transfer is in the public interest with an evaluation of benefits and detriments, if any, occurring to customers of both or all parties after transfer of certificate of public convenience and necessity as compared to cost and kinds of services rendered prior to transfer.



The reason for the requirement (as set forth in subparagraphs 3 and 5 above) that a utility demonstrate the economic feasibility of a major new project before issuance of a certificate of public convenience and necessity is obvious. The Commission ultimately has the duty to enforce dual statutory mandates that the utility charges be "just and reasonable" and that utility service be "adequate, efficient, just and reasonable." CRS 1973, 40-3-101 (1) and (2). If the Commission failed to scrutinize the expenses and revenues associated with major new utility construction and the financial fitness of the utility desiring to undertake the construction, before issuing certificates of public convenience and necessity, a utility which did not have the financial wherewithall could place the Commission in an untenable position. Having obtained a certificate of public convenience and necessity, but unable from borrowings or internal generation to complete or operate a project, a utility is likely to request the appropriate regulatory authority, in our case this Commission, to allow it through rate increases to raise the construction and operating capital it requires. If rate increases, necessary to raise construction and operating capital, put pressure on the statutory requirement of "just and reasonable" rates, CRS 1973, 40-3-101(1), the utility could threaten project abandonment, thereby jeopardizing "adequate and efficient" service CRS 1973, 40-3-101 (2), if the Commission declined to authorize the raises necessary to sustain construction, operating, and capital costs in connection with a new project. In order to avoid the untenable situation of having to choose between higher rates, which may not be just and reasonable, and project abandonment, it is necessary in the first instance for a utility to show that a particular project is feasible and that it has the financial ability to carry out the project for which a certificate of public convenience and necessity is sought. In short, the utility is required to present competent evidence upon



which the Commission can make a proper finding that the proposed project is economically feasible. International Union, United Mine Workers of America v. Public Utilities Commission, 170 Colo. 556, 561; 463 P.2d 465 (1970).

In its Statement of Position, the Gunnison River Coalition states (on page 6) that it specifically requested copies of Colorado-Ute's Appendix H. IV. A(3) feasibility studies in its Consolidated Interrogatories and Request for Production which it filed on April 8, 1981. According to the Gunnison River Coalition, Colorado-Ute answered in its responses served April 23, 1981:

"Colorado-Ute furnishes herewith a copy of 1975 Loan Support Study, and has previously furnished to all parties of record on April 16, 1981, a copy of the 1978 Loan Support Study, which documents Colorado-Ute believes satisfy paragraph (iv) (A) (3) of Appendix H of the Commission's Rules of Practice and Procedure."

Neither the 1975 nor 1978 loan support studies were made a part of the application or offered as exhibits by Colorado-Ute in this proceeding. Colorado-Ute did attach an unverified balance sheet and statement of operations to the application herein. (Exhibit D and E to the application, respectively both dated August 21, 1981). However, we find that these two financial statements were neither current nor reflective of Colorado-Ute's present and reasonably foreseeable future financial condition.

The only financial witness presented by Colorado-Ute in this docket was Robert Vold, Colorado-Ute's vice president for finance and accounting. Mr. Vold sponsored no exhibits. His prepared testimony, exhibit D, was 5½ pages long, 1½ pages of which described his education, experience and corporate duties. At the conclusion of his few pages of prepared direct testimony, Mr. Vold concluded that Colorado-Ute had



. . .successfully arranged financing for much larger projects and expect[ed] no particular difficulty in completing this project.

Exhibit D, p. 6. Such information as Mr. Vold was able to provide concerning the estimated costs of the proposed power line came from Colorado-Ute's manager of power systems and economic planning, Raymond Keith. Mr. Keith sponsored exhibit 14 which is a breakdown of estimated project costs and a division of those costs between Colorado-Ute and WAPA. Mr. Keith devoted 7 lines of discussion in his 27 pages of prepared direct testimony to the subject of the project's costs, and none of this discussion dealt with revenue/expense analysis. Exhibit B, p. 25.

Mr. Vold confirmed on cross-examination that Colorado-Ute had experienced negative operating margins of slightly less than \$7 million<sup>2</sup> for the 12 months ending December 31, 1980, and negative operating margins of slightly more than \$7½ million<sup>3</sup> for the 12 months ending March 31, 1981. He also confirmed that operating margins were negative for the 12 months ending June 30, 1981, although he was unable to supply the precise dollar amount. Consistent with these negative margins, Mr. Vold admitted, was a times interest earned ratio (TIER) of less than 1.0 for the same accounting periods. Mr. Vold acknowledged that Colorado-Ute's precarious financial condition since early 1980 persisted in spite of the Commission's allowance of very large rate increases to Colorado-Ute in early 1980 and in early 1981 -- 25% in the former year and 20% in the latter.<sup>4</sup> These increases, it is to be noted, were only the most

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<sup>2</sup>See also Colorado-Ute's 1980 Form 1 filed with the Commission at schedule page number 114.

<sup>3</sup>See also exhibit I to Colorado-Ute's securities application filed April 27, 1981, and docketed with the Commission as Application No. 33775-Securities.

<sup>4</sup>See Tr., vol. III, p. 42



recent in a number of increases Colorado-Ute has obtained since 1975. These increases took effect at an annual rate of 16.6% on a compound basis for 1975-1980<sup>5</sup> and ranged from 12.6% per year to 28.9% per year over the period<sup>6</sup>. Mr. Keith admitted that for 1981 the rate of increase in Colorado-Ute's wholesale rates to its members would be of a comparable magnitude (in excess of 15%).<sup>7</sup>

Against this record of financial decline accompanied by rapidly increasing rates, Mr. Vold on cross-examination discussed Colorado-Ute's \$1.5 billion five year (1981-1985) capital requirements<sup>8</sup>, requirements that themselves are more than three times as large as Colorado-Ute's total book assets of \$516 million at the end of 1980.<sup>9</sup> These capital requirements would be met predominantly through debt borrowings, stated Mr. Vold which would require Colorado-Ute to incur ever increasing amounts of interest expense<sup>10</sup>; with margins increasing at a slower rate than interest expense, or margins actually continuing to be negative. Increasing interest expense, Mr. Vold conceded, could

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<sup>5</sup>See exhibit 62.

<sup>6</sup>See exhibit 33 and Tr., vol. III, p. 41.

<sup>7</sup>See Tr., vol. III, p. 42.

<sup>8</sup>See exhibit 36.

<sup>9</sup>See Colorado-Ute's 1980 Form 1 filed with the Commission at schedule page number 110.

<sup>10</sup>Some of this expense in 1981, Vold agreed, could be traced to interest on borrowings for construction of Craig 3 (\$125 million borrowed in 1981); construction of a \$13 million headquarters control center (\$2 million to be borrowed in 1981); construction of various projects in preliminary stages, including the power line proposed here and the proposed Tri-County Reservoir (up to \$20 million to be borrowed in 1981 against \$50 million authorized); and construction of Colorado-Ute's 20% share of the Hayden-Blue River transmission line (unknown 1981 borrowings).



have a severe impact on TIER. Acknowledging that Colorado-Ute's TIER has been less than 1.10<sup>11</sup> in recent periods, Mr. Vold agreed that Colorado-Ute's mortgage or indenture agreement with its principal lenders of past years -- the Rural Electrification Association (REA) and the Cooperative Finance Corporation (CFC) -- required Colorado-Ute to maintain a TIER above 1.0 in order to be considered eligible for credit.

Perhaps to alleviate its eroding margins and falling TIER, Colorado-Ute anticipates requesting rate relief in 1982, 1983 and 1984. Mr. Vold did not speculate on the size of the increases that Colorado-Ute would seek in those years; nor did he venture an opinion about the further rate relief Colorado-Ute would require beyond 1984. However, Staff witness Bruce Mitchell, an engineering analyst, on cross-examination, discussed his Exhibit 46 which indicates that the proposed 345 KV line alone would precipitate revenue deficiencies for Colorado-Ute in excess of \$20 million a year in its early years of operations. Mr. Mitchell considers it highly probable that Colorado-Ute will seek rate relief on a frequent basis after 1984 even if there is rate relief in 1982, 1983 and 1984.

Exhibit 14 sets forth a total construction cost for the proposed project of \$243 million; these are said to be "escalated" 1983 dollars.<sup>12</sup> Colorado-Ute's share of the \$243 million is shown on Exhibit 14 to be

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<sup>11</sup>Of course a TIER of 1.0 is less than what Colorado-Ute intends to achieve through rate increases. In its last rate case, Colorado-Ute's then executive vice president stated that a TIER of 1.92 was "the minimum needed in view of future financing requirements." I&S Docket No. 1474, Girts Krumin's pre-filed pages 15-16.

<sup>12</sup>Exhibit B, p. 26.



\$168 million. On cross-examination Mr. Vold agreed that Colorado-Ute's \$168 million share should actually be shown to be \$20-\$25 million higher to account for interest during construction.<sup>13</sup> This would push the entire project cost as high as \$193 million. In response to questioning, Mr. Vold agreed that the cost of this project for Colorado-Ute -- whether estimated at \$168 million or at \$193 million -- in fact qualifies the proposed 345 KV line as the most expensive single project Colorado-Ute has to date undertaken.<sup>14</sup> Mr. Vold testified that sources of capital Colorado-Ute had drawn on in the past for long-term financing -- equity, pollution control bonds, and loans insured by the REA -- would be unavailable for the proposed power line project. For all but 10%<sup>15</sup> of its \$188-\$193 million share of the capital costs of the project, Mr. Vold stated that Colorado-Ute would have to seek a loan guarantee from REA<sup>16</sup> and actual loan proceeds from some other lending source. Such a source for Colorado-Ute in the past has been the Federal Financing Bank, but Mr. Vold expressed doubt (Exhibit D, page 6) that this institution could continue to supply funds under the loan guarantee program. Mr. Vold could name no other potential lenders that might make capital available to Colorado-Ute under an REA guarantee.

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<sup>13</sup> Presumably the \$20-\$25 million is based on a range of assumed interest rates of 12% (12% X \$168 million = \$20.1 million) to 15% (15% x \$168 million = \$25.2 million)

<sup>14</sup> Cross-examination revealed that the book value of a large Colorado-Ute transmission line like that from Craig to Rifle was under \$15 million; that the book values of Craig 1 and 2 were \$116 million and \$102.5 million, respectively; and that as of year end 1980 Colorado-Ute had spent only \$39.5 million construction work in progress (CWIP) on Craig 3. It is also worth noting that the capital costs on the proposed power line will have to be raised, and will be expended faster than Colorado-Ute heretofore has experienced on a major project. This is because of the project's tight two year timetable for material acquisition and construction (see exhibit 30, page 13).

<sup>15</sup> Mr. Vold testified that 10% of Colorado-Ute's share of the power line, when operational, would be devoted to the benefit of non-REA Act beneficiaries and thus 10% of project costs would be ineligible for the REA guarantee. Exhibit D, page 5,. The non-REA Act 10% Colorado-Ute would seek to obtain from CFC. Id.

<sup>16</sup> When it submitted its application, Colorado-Ute stated financing might in part come from REA-insured loans (App. No. 33226, p. 5, para. 6). Mr. Vold contradicted this claim.



As indicated above, Colorado-Ute, in its application, stated it would have an ownership interest in the San Juan 345 KV transmission line of between 65 and 70 percent, and that WAPA would have an ownership interest of between 30 and 35 percent. The exact parameters of WAPA's participation in the proposed line did not become clear throughout the course of these proceedings, and this lack of clarity stands out as one of the critical deficiencies in Colorado-Ute's proof of financial feasibility. Colorado-Ute witness Vold claimed not to know whether Congress had even deliberated let alone approved, appropriations for WAPA's contribution of 30 to 35 percent of the total project costs. WAPA has not entered into a firm agreement to participate in the project, even though Colorado-Ute and WAPA were supposed to have executed a "definitive" contract before January, 1981.<sup>17</sup> Colorado-Ute's late president, Mr. Bugas, stated that Colorado-Ute itself would try to fund the entire project cost even if WAPA doesn't contribute.<sup>18</sup>

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<sup>17</sup>Exhibit 6, page 5, paragraph 11. No explanation has been offered by Colorado-Ute for its failure to come to terms with WAPA. As late as April 22, 1981, Mr. Bugas expected to have the agreement signed before May 21. See Ex. A, p. 22.

<sup>18</sup>Tr., vol. II, p. 58. Colorado-Ute, however, has offered no showing that it could do so and remain in compliance with the REA loan guidelines for non-Act projects. Those guidelines are set forth in exhibit 49 at page 13.



Mr. Vold's professed ignorance of WAPA's ability, readiness and willingness to contribute financially to the project is particularly disturbing in light of the impact of WAPA's participation on capital requirements for the project. As Colorado-Ute's witness Mr. Keith (Exhibit B, page 22) and the then executive vice president Krumins (Exhibit 30, page 1) have plainly stated, Colorado-Ute's needs for transmission capacity (even as Colorado-Ute sees them) could adequately be met by a single-circuit 345 KV line; WAPA's participation is the sole and exclusive reason for the proposal that the line be double circuit. Colorado-Ute's own Exhibit 12 shows that the cost per mile of a double-circuit 345 KV line is 80% higher than the cost per mile of a single-circuit 345 KV line (\$500,000/mile vs. \$275,000/ mile). Thus, WAPA's possible participation presumably has increased the project's capital requirements about 80%. If Colorado-Ute were to proceed with the double-circuit line and WAPA is not ready, willing and able to participate financially, Colorado-Ute alone would bear the burden of this 80% inflation of project costs. Yet, curiously, Colorado-Ute's senior financial officer apparently did not perceive a need to make even informal investigations of WAPA's ability to contribute capital.

Based upon Colorado-Ute's failure to present credible information with respect to the financial viability of the project, we find that Colorado-Ute, based upon the record, does not have the ability to finance, construct, or operate a project as costly and large as the proposed 345 KV double-circuit line while still providing adequate service at reasonable price levels. If the Commission were to authorize the proposed line herein, it is very likely that Colorado-Ute's members would be burdened with an annual regimen of major rate increases for years to come. We do not find that Colorado-Ute can make this project pay its own way, nor do we find that Colorado-Ute can absorb further fixed and variable costs on a major project of this magnitude without negative margins or an unacceptable TIER.



E. COLORADO-JTE HAS NOT PROVED A COMPELLING NEED FOR THE PROPOSED LINE  
IN ORDER TO SERVE ITS SOUTHWEST MEMBERS.

In the law of public convenience and necessity, "necessity" raises two questions. One is whether new or additional service is required. The other question, assuming the answer to the first is positive, is whether the particular system or facility proposed by the applicant utility is appropriate to the need. The distinction between the two inquiries was aptly set out by the court in Kentucky Utility Co. v. Public Service Commission, 252 SW. 2d 855 (Ky. 1952).<sup>19</sup> For a regulatory body to grant a certificate of public convenience and necessity, the court there stated, the body must first find a "need for a new service system or facility"; then, the court continued, the body must find "an absence of wasteful duplication resulting from construction of the new system or facility." 252 SW 2d at 890. The Kentucky court defined duplication in this context as:

" . . .an excessive investment in relation to productivity or efficiency, and an unnecessary multiplicity of properties."

Id. See Western Colorado Power Co. v. Public Utilities Commission, 159 Colo. 262, 304, 411 P.2d 785 (1966) [holding that Colorado's law on public convenience and necessity requires "that duplicating facilities requiring enormous investments should not be supported by the consuming public if they are unnecessary."]

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<sup>19</sup>In the case, the court overturned a commission decision approving a cooperative's proposal to construct 597 miles of new transmission line. Although the court agreed with the commission that additional transmission service was needed, it determined the commission had not considered the alternative of having utilities other than the cooperative expand their existing system to make it "adequate to serve all consumers at a cost much lower than the cost of two separate sets of lines." 252 SW 2d at 892.



Colorado-Ute here has proposed a double-circuit 345 KV transmission line with a nominal capacity of 1000 MW, 70% of which or 700 MW, is to be owned by Colorado-Ute.<sup>20</sup> The line will run from Rifle, Colorado to San Juan, New Mexico. The new line will not replace, but will be in addition to an existing WAPA 230 KV line and an existing Colorado-Ute 115 KV line also running from Rifle to the San Juan-Shiprock, New Mexico area. WAPA is planning to uprate the 230 KV Rifle-Shiprock line to 345 KV.<sup>21</sup> Thus, the Colorado-Ute-WAPA project proposed here cannot be viewed narrowly as the replacement of whatever existing transmission capacity there is in western Colorado by a new 1000 MW system. The proposed new 1000 MW system must be seen as an addition to existing capacity that will make available in two to three years, nominal carrying capability of from 1,273 MW to 1,623 MW in western Colorado as follows:

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<sup>20</sup>This assumes WAPA participates in the project and becomes entitled to 30% of the capacity. If WAPA cannot or will not participate, Colorado-Ute would own all 1000 MW of capacity.

<sup>21</sup>Exhibit 6, p. 4, para. 7; exhibit 16, p. 30; exhibit 28, p. 8; Tr., vol. II, p. 118. According to the cited reference in exhibit 6, Colorado-Ute is to be offered an opportunity to participate in the uprating and ownership of an uprated 345 KV WAPA line from Rifle to Shiprock.

	Nominal Maximum (MW)	Nominal Minimum (MW)	Reference
Colorado-Ute SW Colorado generation	73	73	Ex. 4, Ex. 2 <sup>5</sup> , last page
Colorado-Ute 115 KV line	50	--	Ex. 4
WAPA Rifle-Shiprock line			
at 230 KV	--	200	Ex. 12
at 345 KV	500	--	Ex. 12
Rifle-San Juan-Line	1,000	1,000	Ex. 12
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	1,623 MW <sup>22</sup>	1,273 MW <sup>22</sup>	

Colorado-Ute in the course of these proceedings has brought forth numerous formulations of "need" for its proposed 345 KV double-circuit line. Responsible application of the public convenience and necessity doctrine requires close examination of those formulations. It is necessary to determine, first, whether there is a need at all for improved transmission capacity in Colorado-Ute's western Colorado territory; and, then, to determine whether Colorado-Ute's proposed system addition is appropriate, given the regulatory duty to avoid "an excessive investment in relation to productivity or efficiency and an unnecessary multiplicity of properties." Kentucky Utility Co. v. Public Service Commission, supra, 252 SW 2d at 890. We shall address each

<sup>22</sup>Minimum case assumes existing Colorado-Ute 115 KV line would be withdrawn from transmission service in southwestern Colorado and that WAPA reversed plans to uprate the 230 KV line to 345 KV. Additional capacity from series compensation is not considered here. Also, the capacities here are understated since the fact of existing interconnection of the WAPA 230 KV and the Colorado-Ute 115 KV lines gives the system greater than nominal capacity. Tr., vol. II, p. 22.

<sup>23</sup>Through 1989, the southwest Colorado local generation capability is shown on the last two pages of exhibit 5 as: Bullock 1 & 2 (12 MW); Tacoma-Ames (11 MW); Nucla 1, 2, 3 (36 MW); Collbran (13.5 MW). Colorado-Ute witnesses parenthetically have claimed that combined fixed and variable costs of the Nucla and Bullock plants are so high that the plants cannot economically be operated beyond 1989. See e.g., ex. B, p. 6. Actually, the 1980 combined fixed and variable power costs of Craig 1 were 35.84 mills/kwh and for Nucla were 31.72 mills/kwh. Colorado-Ute Form 12 Operating Report (1980), schedule 12(d).



of Colorado-Ute's stated needs for the proposed line in terms of those needs merits and in terms of whether investment in a 345 KV double-circuit line is a cost-effective way of addressing the needs. The various "needs" that have been mentioned by Colorado-Ute and/or its two members who intervened in support of the instant application may be grouped as follows:

Needs Related to Colorado-Ute's Southwest Transmission System

- Reducing line losses
- Improving voltage levels and voltage stability
- Improving reliability
- Meeting the demand growth of Southwest Colorado members in the 1980's

Needs "Secondary"<sup>24</sup> to Improving Southwest Colorado Transmission System

- Providing base transmission system for planned doubling or tripling of generation capacity in the 1980's
- Increasing the north-to-south transfer capability of the Colorado-New Mexico transmission system interconnection

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<sup>24</sup>"Secondary" is Colorado-Ute's own description. Ex. A, p. 15; ex B, p. 10.

The Southwest Colorado Transmission System

Colorado-Ute has six members in southwestern Colorado.<sup>25</sup> According to Colorado-Ute's late president, Mr. Bugas, meeting the needs of those members "is what this case is all about."<sup>26</sup> The principal problem with meeting those needs is the difficulty of being able to transmit electricity a distance of some 100-200 miles from the Craig-Hayden complex in the north to where the southwest Colorado members take power in the south. The problem arose because some years ago Colorado-Ute made a corporate decision to locate its major generation addition for the mid-1980's in the north even though it knew that the southwestern load center would be its "critical" growth area.<sup>27</sup>

The existing north-to-south transmission path available to Colorado-Ute consists of its own 115 KV Rifle-New Mexico line and the 230 KV Rifle-New Mexico line of WAPA. Although according to exhibit 12 the nominal capacity of these lines would be 50 MW and 200 MW, respectively, for a combined capacity of 250 MW, the fact that they are interconnected at various points (see map in exhibit 2) means that operated in parallel they have considerably greater capacity.<sup>28</sup>

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<sup>25</sup>They are: Delta-Montrose, Empire, Grand Valley, Gunnison County, La Plata and San Miguel. See exhibit 8 and map in exhibit 1.

<sup>26</sup>Tr., vol. I, p. 198. Mr. Keith agreed. Tr., Vol. II, P. 197.

<sup>27</sup>Colorado-Ute explicitly recognized as early as 1975 (in its 1975 Loan Support Study) that the southwest load center would require either additional transmission or additional generation capacity in the early-to mid-eighties because of its projected exceptional growth. Tr., vol II, p. 194, p. 196. It conducted the planning process for location of the unit that would follow Craig 1 and 2 in the 1-2 years following 1975. Tr., vol. II, p. 194. In that planning process Colorado-Ute management expressly considered and expressly rejected building the next unit in the southwest. Tr., vol II, p. 195. Colorado-Ute elected to locate its next unit in the north where Craig 3 is under construction today.

<sup>28</sup>Tr., vol. II, p. 22. The interconnection is pursuant to contract for the mutual benefit of Colorado-Ute and WAPA. Exhibit A, p. 14.



In recent years, Colorado-Ute has been able to rely on WAPA's parallel 230 KV system in the southwest to meet member loads at peak when Colorado-Ute's own 115 KV line and Colorado-Ute's local southwest generation capacity -- some 73 MW<sup>29</sup> -- prove inadequate. At peak in 1980, Colorado-Ute used 50 MW of capacity on WAPA's parallel line.<sup>30</sup> WAPA's parallel line will be available to Colorado-Ute for back-up at peak in the southwest until at least 1983.<sup>31</sup>

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<sup>29</sup>See exhibit 4; exhibit 8, p. 6.

<sup>30</sup>Tr., vol. II, p. 22.

<sup>31</sup>Id. WAPA has never indicated to Colorado-Ute that its 230 KV line could not be available beyond 1983. Tr., vol II, p. 25.

1. Line Losses

There is no evidence in the record that losses of power and energy on WAPA's 230 KV line are significant. There is evidence, however, that transmission losses on Colorado-Ute's 115 KV line are excessive, perhaps in the range of 8%<sup>32</sup> although Colorado-Ute has provided no systematic demonstration of line loss levels. Colorado-Ute's late president, Mr. Bugas, agreed that line losses in southwest Colorado -- whatever their level -- have been reduced as a result of a new WAPA-Colorado-Ute transmission system interconnection at Lost Canyon and can be somewhat mitigated by operation of the Nucla station.<sup>33</sup> Nevertheless, it could well be that losses will remain excessive on the 115 KV line without some corrective action.

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<sup>32</sup>See testimony of Delta-Montrose witness Potter, Exhibit E, p. 16.

<sup>33</sup>Tr., vol. II, pp. 18-19. Empire's Mr. Johnson testified the Lost Canyon interconnection was in service as of July 15, 1981.



## 2. Voltage Levels And Voltage Stability

Again, there is no evidence of problems on WAPA's 230 KV line with voltage levels or voltage stability. Again, Colorado-Ute has offered no quantification of the magnitude of any voltage problems on its 115 KV line, although its witnesses allude to such problems in their narratives. Mr. Johnson of Empire described voltage regulation problems experienced on Empire's system in the last year.<sup>34</sup> Both he and the late Mr. Bugas<sup>35</sup> agreed these voltage problems have been directly addressed and solved by the new Lost Canyon WAPA-Colorado-Ute interconnection. Mr. Potter said that Delta-Montrose had voltage problems at the Montrose substation. To the extent shunt capacitors cannot alleviate Delta-Montrose's problems, some corrective action may be necessary.

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<sup>34</sup>Exhibit F, p. 3 ff.

<sup>35</sup>Tr., vol. II, p. 18.

### 3. Transmission System Reliability

The late Mr. Bugas denied that there was a reliability problem on either Colorado-Ute's or WAPA's southwest transmission system.<sup>36</sup> The Staff made inquiries about sustained forced outage rates on the line over the three years, 1978-1980; the inquiries revealed that in 1980, the only year in which the rate was unusually high, the cause was vandalism, and there was no "technical deficiency."<sup>37</sup> To the extent reliability has been an issue in this case with respect to Colorado-Ute's southwest system, it has been in the context of what Mr. Keith called the "sacrifice of reliability" associated with Colorado-Ute's proposed new double-circuit line, i.e., an "occurrence or disaster that would cause one tower to go down would cause us to lose both circuits."<sup>38</sup>

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<sup>36</sup>"...[W]ithin the limits of operation of the system I think it is very reliable." Tr., vol. II, p. 15

<sup>37</sup>Tr., vol. III, p. 78.

<sup>38</sup>Tr., vol. III, p. 54.



4. Member Demands In The 1980's

In truth and in fact, Colorado-Ute's case for the need for additional transmission capacity in the service areas of its southwestern Colorado members rests on its projections of member load growth through the 1980's. Those projections are a matter of wide disagreement in this record, for Colorado-Ute's projections significantly exceed those of the two other witnesses in the case who prepared projections. The difference in the projections is illustrated below.

Southwest Colorado Member Load Projections

	<u>Colorado-Ute<sup>39</sup></u>	<u>Staff Member Mitchell<sup>40</sup></u>	<u>Coalition Witness Dr. Shah<sup>41</sup></u>
1980 (actual)	170.2 MW	--	--
1984 (projected)	338.1MW	275-314 MW	227.9-277.9 MW
1989 (projected)	508.0 MW	472 MW	291-412.5 MW

Colorado-Ute prepared its projections of member loads by conducting a "power requirement study." Exhibit 9, the 1980 Power Requirement Study Report, was sponsored by Mr. Keith to illustrate the methodology and result of Colorado-Ute's projections. Preparation of Colorado-Ute's power requirements study, Mr. Keith admitted, followed a set of procedures outlined by REA in the latter's Bulletin 120-1.<sup>42</sup> The procedures began with the prepar-

<sup>39</sup> Exhibit 8.

<sup>40</sup> Ex. G, p. 9 and ex. 44. Mr. Mitchell projected no range for the year 1989.

<sup>41</sup> Ex. J, pp. 36-38. Dr. Shah's ranges are with (high) and without (low) the following new industrial loads: AMAX, Shell-Mobil, Homestake and C-b Tract. Ex. J, p. 10.

<sup>42</sup> Tr, vol. II, p. 200. Bulletin 120-1 appears in the record as exhibit 32.

ation by Colorado-Ute of what Mr. Keith agreed was a "fairly mechanical"<sup>43</sup> set of least squares projections of the power requirements of each member's residential and small commercial customers based on trending of historical data from the 1970s. Colorado-Ute then turned its least squares projections over to the members, who may have modified those projections and who, in addition, estimated the future loads of their own large commercial and industrial customers.<sup>44</sup> In addition, according to Mr. Keith, in the course of the power requirement study Colorado-Ute and its members:

. . .contacted large commercials concerning their long-range power and energy requirements. . . ; conducted surveys in the residential class. . . ; performed studies on the effects of price elasticity on electrical use; and analyzed and included the effects of conservation.

Exhibit 9, pp 2-3. A brief analysis of Mr. Keith's statement follows.

a. Contacts Of Large Commercials

A major contributor to increased power demands in 1984 and 1989 in Colorado-Ute's projections is the addition of new large industrial or commercial customers. Nineteen of the largest of these potential new customers are shown on exhibit 13 to exhibit 9; they alone account for the addition of 294.5 MW of demand on the system (in Colorado-Ute's projections) in 1989 that did not exist in 1979. Mr. Keith testified that he talked with six of these nineteen customers, although he was unable to find any notes or memoranda concerning his contacts.<sup>45</sup> Under REA guidelines

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<sup>43</sup>Tr., vol. II, p. 204.

<sup>44</sup>Tr., vol. II, p. 205.

<sup>45</sup>Tr., vol. II, p. 6.



for the preparation of power requirements studies, Mr. Keith admitted, the loads of large industrial/commercial customers such as these are not supposed to be included in power projections unless those loads are already "known or contracted."<sup>46</sup> Nevertheless, Mr. Keith was unable to identify one customer of the nineteen large "potentials" in exhibit 13 to exhibit 9 that was under contract for power either in 1984 or 1989.<sup>47</sup> The late Mr. Bugas was able to say that one of those customers, AMAX-Mt. Emmons (35 MW in 1989), definitely was not under contract;<sup>48</sup> Mr. Johnson of Empire Electric noted that another, Shell-Mobil (60 MW in 1989) still was not under contract; public witness David Sumner related that another, Homestake Mine (6 MW in 1989), had indefinitely postponed its project;<sup>49</sup> and Mr. Keith admitted that still another, C-b tract, while scheduled by Colorado-Ute to demand 100 MW in 1989, actually was itself considering not only the generation of its own power but also selling back to Colorado-Ute up to 80 MW<sup>50</sup>. There is no hard evidence in the record, to say nothing of even such soft evidence as notes of hearsay conversations, by which the projected load of any potential Colorado-Ute member large customer can be scrutinized for accuracy and reliability.

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<sup>46</sup>Tr., vol II, p. 208; exhibit 32, p. 4; Tr., vol. III, p. 4.

<sup>47</sup>Tr., vol. III, p. 6.

<sup>48</sup>Tr., vol. II, p. 115.

<sup>49</sup>Tr., vol I, p. 79.

<sup>50</sup>Tr., vol. III, p. 9.

b. Conduct Of Surveys In The Residential Class

Exhibit 9 to the contrary notwithstanding, Mr. Keith admitted on cross-examination that neither Colorado-Ute nor any Colorado-Ute member had done anything like an engineering end-use survey or appliance saturation study because it was "impossible for them to do so."<sup>51</sup> In an attempt to support Mr. Keith, Delta-Montrose brought on Mr. Potter to declare that his utility had done a substitute for a real saturation study because a real one, even though REA recommended it, "would not be appropriate. . . in a winter peaking system such as Delta-Montrose's."<sup>52</sup> Mr. Potter then had to be reminded that he had said nothing about the "inappropriateness" of an engineering end-use forecast for Delta-Montrose when he had submitted the latter's own actual power requirement study to REA. At that time he had said nothing about winter peaks; he had simply admitted Delta-Montrose neither had the time nor the money to do a real appliance saturation survey.<sup>53</sup> Neither Colorado-Ute nor its two member-supporters in this case offered any quantified or quantifiable data reflecting the impact of any saturation studies on Colorado-Ute's 1984 and 1989 projections.

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<sup>51</sup>Tr., vol. III, p. 14.

<sup>52</sup>Exhibit E, p. 8.

<sup>53</sup>Exhibit 70, p.9



c. Studies On The Effects Of Price Elasticity

Mr. Keith could identify no price elasticity study prepared by a Colorado-Ute member; Colorado-Ute's own such study, Appendix C to Exhibit 9, is the only one in the record.<sup>54</sup> Colorado-Ute's study, assuming a rate of increase in its own wholesale rates of 9% per year through the 1980s, concluded that the price of electricity would have no impact on reducing demand for energy in the 1980s unless something unforeseen were to reverse the trend of the 1970s.<sup>55</sup> Colorado-Ute's study assumed a 9%/year increase in its own wholesale price of electricity during the 1980-1990 time period even though its data showed those wholesale rates had increased at a compound rate of 16.6%/year from 1975-1980 and its members' retail rates increased at a rate of 12.6%/year during the same period;<sup>56</sup> even though its own wholesale rate was to increase more than 15% in 1981<sup>57</sup>; and even though its chief financial officer had no qualms about admitting that Colorado-Ute would seek Commission-authorized rate relief annually at least through 1984.<sup>58</sup>

No economist assisted or participated in the Colorado-Ute elasticity study.<sup>59</sup> The Coalition's Dr. Reading critiqued the study. Dr. Reading, a Ph.D. economist, was qualified as the only expert in this docket in statistics, econometrics and economic forecasting. Among the many flaws Dr. Reading observed in Colorado-Ute's elasticity study was the study's absurd prediction that "as the price of electricity went up, people would tend to use more."<sup>60</sup> A result such as this, Reading opined, was at such variance with economic theory and common

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<sup>54</sup>Tr., vol. III, pp. 16-17

<sup>55</sup>Tr., vol. III, pp. 38-39; Ex.9, Appendix C, p.16

<sup>56</sup>Ex. 62

<sup>57</sup>Tr., vol. III, p.41

<sup>58</sup>Testimony on July 14, 1981

<sup>59</sup>Tr., vol. III, p.47

<sup>60</sup>Ex. H, p.7

sense that Colorado-Ute should have known it had fundamental data and/or statistical problems with its model.<sup>61</sup> Dr. Reading concluded a properly formulated model would indeed have found price elasticity exercising an effect on demand in the 1980s; Colorado-Ute's study, he said, was so flawed it would have to be reformulated to be useful.<sup>62</sup>

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<sup>61</sup>Id.

<sup>62</sup>Ex. H, p. 9. On rebuttal, Colorado-Ute witness Krumins, an engineer-attorney who last took an economics course in college 20 years ago and could not define "econometrics," tried to show that in his critique of Appendix C Dr. Reading had incorrectly calculated a rate of real price increases of 10-11% per year for the 1980s. To get 10-11%, Dr. Reading subtracted an inflation rate for 1975-80 of 7.5% from an average Colorado-Ute annual wholesale price increase rate over 1975-1980 of 18.7%. Ex. H. p. 10. Subtracting an inflation rate of 8.9%/year instead of 7.5%/year as Mr. Krumins suggested was proper, would not change the result of Dr. Reading's calculation. Although in its study Colorado-Ute subtracted an inflation rate from an assumed rate of annual increase in its wholesale prices (of 9%) over the 1980s to derive a rate of real price increases, Krumins suggested on rebuttal that Dr. Reading should have subtracted the inflation rate from the rate of retail price increases to get the rate of real price increases. If Dr. Reading had done so, he might have taken the 8.9% inflation rate suggested by Mr. Krumins in Exhibit 61 from the 12.6% 1975-1980 compound annual rate of increase in Colorado-Ute's members' retail prices (Exhibit 62) to get a real price rate of increase of about 4%. This is less than the 10% rate that would result from proper application of Colorado-Ute's own methodology but still significantly greater than Colorado-Ute's 0 - .5% predicted annual rate of 1980-1990 real price increases.



d. Analysis Of The Effects Of Conservation

On cross-examination, Mr. Keith admitted that neither Colorado-Ute nor its members had attempted to quantify demand or energy savings from a single conservation practice or renewable energy source in the decade of the eighties. Colorado-Ute's 1980 Power Requirements Study specifically took no consideration of the effect of conservation measures such as member distribution of hot water heater blankets, water flow restricters or electric outlet gaskets.<sup>63</sup> It identified no potential source of cogeneration or small power production that could either reduce load or the need for Colorado-Ute's own generation, or both.<sup>64</sup> And it made no adjustment for the saturation of solar hot water heating through the members' service areas.<sup>65</sup> In short the Colorado-Ute power projections quantified absolutely zero reduction in demand or energy on its and its member systems through 1990 due to any load management or conservation policy. Thus, we find that Mr. Keith's claims about the comprehensiveness of the data inputs of Colorado-Ute's power requirements study is less than meaningfully accurate.

When all is said and done, Colorado-Ute's 1980 Power Requirements Study must be acknowledged as no more, no less than what Dr. Reading characterized it to be: the outcome of a "rubber ruler"<sup>66</sup> process of mathematical straightline trending of historical data with seat-of-the-pants guesses and judgments to "bend" the ruler here and there. Colorado-Ute's own exhibits show that this method of rubber ruler forecasting has consistently over-projected since 1975. Exhibit 5 and exhibit 8 to the 1980 Power Requirement Study (itself official exhibit 9) pictorially display the way Colorado-Ute's 1977 projections consistently exceed even its 1980

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<sup>63</sup>Tr., vol. III, p. 18.

<sup>64</sup>Tr., vol. III, p. 19.

<sup>65</sup>Tr., vol. III, p. 20.

<sup>66</sup>Ex. H, p. 5.

ones. This is because the rubber ruler approach used by Colorado-Ute depends so heavily on trending historical data and obviously, as Mr. Keith admitted, the 1980 projections have more historical data relevant to the period 1980-1990 than the projections prepared in 1977 could have.<sup>67</sup>

Mr. Mitchell of the Staff concluded that Colorado-Ute's study "essentially used judgment coupled with trends of customers and average consumption per customer to derive the forecast."<sup>68</sup> Mr. Mitchell found Colorado-Ute's projections of southwest Colorado member loads in the past had consistently over-projected more than the projections of load growth by other Colorado utilities had,<sup>69</sup> and as a result he felt compelled to reduce Colorado-Ute's 1984 southwest member demand projection from 338 MW to a range of 275 MW - 314 MW.<sup>70</sup> Dr. Reading, as an economic forecasting expert, was forced to conclude that the 1980 study "should be rejected as a basis for making judgments about the future needs in Colorado-Ute's area" and "should not be used for planning purposes."<sup>71</sup>

While Dr. Reading critiqued Colorado-Ute's 1980 Power Requirements Study and Mr. Mitchell ventured an alternative to the study's 1984 southwest local projections simply because he "had as much faith" in his own judgmental estimates as in Colorado-Ute's,<sup>72</sup> the Coalition's witness, Dr. Shah, actually prepared an alternative forecast to Colorado-Ute's as the result of a load-resource analysis. Dr. Shah, a Ph.D. electrical engineer with twenty years experience working for industry and government, was qualified as an expert in power engineering, electrical load forecasting and electrical transmission system design and planning.

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<sup>67</sup>Tr., vol. III, p. 29.

<sup>68</sup>Ex. G, p. 10.

<sup>69</sup>Ex. 44.

<sup>70</sup>Ex G, pp. 9-10.

<sup>71</sup>Ex. H, p. 11.

<sup>72</sup>Ex. G, p. 10.



Because Colorado-Ute and its members possessed no "credible" studies of the effect of energy conservation, price elasticity or load management on consumption or demand through the 1980s, Dr. Shah did not build adjustments for those phenomena into his forecast, even though he felt the phenomena would deflate actual power and energy requirements.<sup>73</sup> Dr. Shah did, however, examine the separate 1980 power requirements studies of Colorado-Ute's eight western area members<sup>74</sup> as well as the data sheets for each Colorado-Ute member's individual power requirements study in appendix D to exhibit 9;<sup>75</sup> he also revised Colorado-Ute's 1980-1990 population estimates for the southwest members by pinning those estimates to data generated by the state demographer for counties and incorporated places.<sup>76</sup> Finally, Dr. Shah systematically quantified demand and energy savings certain to occur in the 1980s due to certain technological and economic developments with which he was familiar both by training and by consulting

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<sup>73</sup>Ex. J, pp. 5-6.

<sup>74</sup>They are listed at p. 33 of ex. J and include, in addition to the "southwest" members, White River and Yampa.

<sup>75</sup>Ex. J, p. 6.

<sup>76</sup>Colorado-Ute's Mr. Krumins admitted on rebuttal that engineers untrained in demography (a discipline Mr. Krumins claimed never to have heard of) disaggregated the state demographer's data to produce their own population projections for Colorado-Ute's members.

experience: improvements in motor efficiency, industrial power factors, lighting system design and building energy performance standards.<sup>77</sup> Thus, although his analysis used the same raw historical statistical data for each member that Colorado-Ute used; i.e. the same consumption and customer class data, Dr. Shah quantified some of the factors that, as Dr. Reading testified, would make the 1980s so different from the 1970s that mechanical trending of data from the latter decade inevitably would lead to gross over-projections. Recognizing that a significant proportion of Colorado-Ute's projected demand for the southwest members in 1984 and 1989 was made up of estimates of demand for "potential" large commercial/industrial customers not under contract, Dr. Shah produced a low estimate (excluding those loads) and a high one (including them) for each year.<sup>78</sup>

F. COLORADO-UTE EXISTING GENERATION AND TRANSMISSION RESOURCES ARE SUFFICIENT TO MEET THE NEEDS OF ITS SOUTHWEST MEMBERS INTO THE MID TO LATE 1980's.

I. Generation Capacity

After completion as scheduled in 1983 of the Craig 3 unit now under construction, Colorado-Ute projects its 1984 capacity will be 1,076 MW. Thus, with Craig 3 on line, Colorado-Ute will have more than adequate net generation and firm power through 1984 to meet even its own

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<sup>77</sup>Ex. J, pp. 36-38.

<sup>78</sup>Ex. J, pp. 36-38.



projections of 1984 member demand. This includes the projected demand of Colorado-Ute's 14th member, Intermountain Rural Electric Association (Intermountain).<sup>79</sup>

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<sup>79</sup>This was established in lengthy examination of the late Mr. Bugas (beginning at Tr., vol. II, p. 204) in which net generation for the pre-1980 13 members (exhibit 25) was compared to the projected coincident demand of the pre-1980 13 members (exhibit 3 to official exhibit 9); supplemented by examination of the late Mr. Bugas on the projected demands and available firm power for meeting the needs of Intermountain, the new 14th member (See exhibit 26). The latter examination showed that pursuant to contract with WAPA and Public Service of Colorado, Colorado-Ute in 1984 expected to have at least 135 MW of firm power to meet what the late Mr. Bugas agreed was an overstated projection of Intermountain's 1984 projected demand coincident with the 13 member of 187 MW. See Tr., vol. II, pp. 10-11.

Colorado-Ute plans to have two new large 400 MW units in addition to Craig 3 in place by 1989. If those units are built and in place, Colorado-Ute can easily meet even its own high 1989 projections of member demands.<sup>80</sup> Even if those two units are not built, Colorado-Ute's capacity in 1989 will be more than adequate to meet Dr. Shah's 1989 demand projections.<sup>81</sup> Various resource-demand comparisons appear below.

SUMMARY RESOURCE (CAPACITY) ANALYSIS

<u>Year</u>	MW <u>Available Capacity</u>	<u>DEMAND (MW)</u>		<u>% RESERVES</u>	
		<u>Colorado- Ute</u>	<u>Shah</u>	<u>Colorado- Ute</u>	<u>Shah</u>
1984	1,076.5	766.9	603.72	40%	78%
1989 (with 2 SW units)	1,916.5	1,195.8	818.67	60%	134%
1989 (with- out 2 SW units)	1,076.5	1,195.8	818.67	(10%)	31%

Note: (1) Capacity figures from last 2 pages of exhibit 5; (2) Colorado-Ute's demand figures from exhibit 3 to exhibit 9; (3) Shah's figures from exhibit J, p. 35. All figures are for 13 members exclusive of Intermountain and potential firm capacity sales.

<sup>80</sup>Colorado-Ute's 1989 capacity projection is 1,916.5 MW. See same sources as in preceding footnote.

<sup>81</sup>See p. 35 of exhibit J, as corrected.



## 2. Transmission Capacity

At no point in its direct case did Colorado-Ute, through witness or exhibits state precisely what its southwest area transmission capacity would be in future years. The late Mr. Bugas stated that the existing southwest system is adequate, with WAPA back-up, to meet Colorado-Ute's own projections of southwest member needs through 1983.<sup>82</sup> This supports an inference that WAPA will have backup capacity at Colorado-Ute's peak in 1983 in excess of 150 MW on its 230 KV line (the nominal capacity of which according to exhibit 12 is 200 MW).<sup>83</sup> That WAPA has so much capacity available of course throws doubt on the persistent (and persistently undocumented) hearsay assertion of Colorado-Ute's witnesses<sup>84</sup> and third-hand exhibits<sup>85</sup> that WAPA's line is already "fully loaded." More significantly, it suggests that the actual capacity of the southwest transmission system currently available to Colorado-Ute is in the neighborhood of 300 MW.

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<sup>82</sup>Tr., vol. II, p. 22.

<sup>83</sup>Colorado-Ute's southwest members' peak can be calculated to be 291.4 MW from ex. 3 to ex. 9. Subtracting the nominal 50 MW of capacity in Colorado-Ute's 115 KV line and the 75 MW of southwest generation (see ex. 4) leaves 178.4 MW that must be provided by WAPA at the 1983 peak.

<sup>84</sup>For example the late Mr. Bugas at p. 20 of exhibit A.

<sup>85</sup>For example the draft of the Draft E 19, ex. 16, at p. 26.

An inference to this effect finds support in the testimony of Mr. Mitchell. Relying on Yampa Project documents supplied by Colorado-Ute in discovery but not entered by Colorado-Ute into evidence, Mr. Mitchell concluded that the existing southwest system had effective carrying capability of 306 MW. Given his certainty that Colorado-Ute had over-projected its loads, Mr. Mitchell concluded unequivocally that the existing transmission system without any upgrading at all could meet the needs of Colorado-Ute's southwest members through 1985-1986.<sup>86</sup> Mr. Mitchell also testified that series compensation applied to WAPA's 230 KV line could immediately add 20 MW of additional capacity; and that more elaborate series compensation on that line, if found feasible after a 6-12 month study, could add 100 MW of capacity.<sup>87</sup> This would give the southwest system a capability in the neighborhood of 450 MW (325 MW now plus 120 MW through compensation) without the addition of a single new line. That 450 MW of capacity could, according to Colorado-Ute's own projections, almost meet the southwest members' requirements until the winter of 1987-1988;<sup>88</sup> and could meet even the high estimate of 412.5 MW for the winter season of 1989-90 of Dr. Shah.<sup>89</sup>

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<sup>86</sup>Ex G, p. 10-11. This estimate did not consider the effects of this amount of load in the southwest Colorado area on the ability to transfer power to the Arizona-New Mexico area. The necessity to transfer energy to the Arizona-New Mexico area during peak load periods in southwest Colorado is debatable because of the power exchange agreement between WAPA and the Salt River Project. A sensitivity analysis of the capability of the existing transmission system to provide for increasing southwestern Colorado loads as well as probable schedules of generation, including transfers of energy to the Arizona-New Mexico area was not entered into evidence by Colorado-Ute.

<sup>87</sup>Tr. vol. 5, page 79-80. We find it is appropriate to take into account transmission capacity of WAPA even though WAPA is neither regulated by nor an applicant before the Commission. See Western Colorado Power Co. v. PUC, supra, 159 Colo. at 303-304.

<sup>88</sup>1987 southwest demand is 463 MW according to Exhibits 3-9.

<sup>89</sup>Ex. J., pp. 36-38.



We find that Colorado-Ute failed to prove that the existing transmission system, with construction of some modifications significantly less extensive than the proposal of Colorado-Ute herein, could not meet the needs of the southwestern members into the late 1980's.

G. COLORADO-UTE SHOULD PERFORM FEASIBILITY STUDIES TO DETERMINE COST EFFECTIVE ALTERNATIVES TO ITS PROPOSAL HEREIN WHICH WILL MEET THE REALISTIC TRANSMISSION NEEDS OF ITS SOUTHWESTERN SYSTEM.

Colorado-Ute's Mr. Walker, agreed that the only systematic evaluation of alternatives to a 345 KV double-circuit line that Colorado-ute performed was set forth in the 4½ pages of text in the environmental analysis (exhibit 15, p. 8-2, pp. 8-5 through 8-8). The alternatives reviewed were:

1. No action
2. Reduction of Project Need through Conservation
3. Purchase of Power
4. Noncentralized Generation Facilities
5. Rebuilding existing Transmission Lines
6. Installing Series Compensation

Each was rejected with cursory comment. Colorado-Ute performed no studies of the feasibility of any of the alternatives; nor did WAPA; nor did Colorado-Ute's engineering consultant in the environmental review process; nor did the REA, the project's potential funder.

The Staff, as well as the Coalition's witness, Dr. Shah, suggested several transmission system design alternatives that Colorado-Ute apparently did not consider. Dr. Shah was qualified in this docket as an expert in transmission line planning.

He proposed modifications to the existing southwestern Colorado transmission system which, by creating five new loops, or electric beltways, in his judgment would both increase system reliability and augment capacity to handle southwestern Colorado demands for 1989 and beyond. Dr. Shah believes his alternatives would do so at a cost of less than \$15 million, compared to Colorado-Ute's \$193 million share of the project.<sup>90</sup>

Dr. Shah's principal alternative had three components. The first component was to construct a 230 KV line from Cameo to Grand Junction with a 230 KV/115 KV transformer at Grand Junction. The second component was to construct a new 230 KV line to Delta along with a new 230 KV switching station on the Rifle-Curecanti 230 KV line with a 230 KV/115 KV transformer at Hotchkiss. The third component was either to install series capacitors on WAPA's 230 KV line from Curecanti to Shiprock;<sup>91</sup> or to build a new 115

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<sup>90</sup>Ex. J. pp. 12-13.

<sup>91</sup>Mr. Mitchell testified this step alone could add 100 MW of capacity.



KV line from Lake City to Durango. Dr. Shah priced his alternative proposal at \$12,590,000.<sup>92</sup> If Colorado-Ute seriously considered his alternative or any other similar one, the record herein fails to indicate it. No competent evidence was presented to rebut the feasibility of this alternative.

The testimony of Mr. Weaver (exhibit I), sponsored by Dr. Reading, recited numerous conservation-based strategies that Colorado-Ute and its members have rejected without study. Dr. Reading urged that Colorado-Ute not be allowed to expand bulk transmission capacity on the premise that future demand would require that capacity until Colorado-Ute had exhausted the demand/energy saving potential of these conservation measures.

Dr. Shah recommended as well that Colorado-Ute seriously consider construction of decentralized "peaker" plants in the southwest load center.<sup>93</sup>

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<sup>92</sup>The ability of the Cameo - Grand Junction and Rifle - Curecanti 230 KV lines to provide capacity for southwestern Colorado loads was not rebutted by any competent evidence pertaining to the cost, concept, or feasibility of this alternative.

<sup>93</sup>Ex. J. p. 12.

Peakers, Dr. Shah said, could meet Colorado-Ute's shorter term southwest power requirements at a cost, even if they burned oil, substantially less than the cost of the "excessive" transmission line losses Colorado-Ute and its members in the case complained of.<sup>94</sup> Dr. Shah's decentralized peaker approach was also endorsed by Dick Wingerson, a nuclear and chemical engineer with interests in energy resources.<sup>95</sup> Colorado-Ute by contrast, did not produce a study or evidence in support of its decision to reject the peaker option.

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<sup>94</sup>See Ex. E, p. 16.

<sup>95</sup>Tr., vol I, p. 61, pp. 65-66.



The Staff, too, has recommended alternatives. In the Staff's view, Colorado-Ute:

. . . has not really attempted to demonstrate the economic consequences or advantages to the power system of the proposed course of action [double-circuit 345 KV line]. Instead [Ute] has almost exclusively relied on the results of technical engineering analysis to provide justification for the proposal. The consideration of alternatives, either of long or short term nature, wasn't adequately addressed.

Exhibit G, page 5 (emph. supplied). When the Staff asked Colorado-Ute for an economic analysis of alternatives, what the Staff obtained according to Staff witness Mitchell, was "a long subjective narrative on the advantages of the proposal as advanced by [Ute] with very little information concerning specific alternatives." Id. In light of the inadequacy of Colorado-Ute's analysis of alternatives, the Staff specifically proposed several of its own.

One of the Staff's recommendations was that Colorado-Ute and WAPA pursue the possibility of series compensation of WAPA's 230 KV line south of Delta to add 100 MW of capacity. Ex. G, page 13. Mr. Mitchell stated that the studies required to ascertain the feasibility of this proposal (mainly in light of possible subsynchronous resonance) could be performed in 6-12 months; he also opined that Colorado-Ute could continue to meet its southwest member needs through 1986 with no upgrading of the existing system. Thus, Colorado-Ute could easily study series compensation through calendar 1982 and still have time, if technical analysis proved series compensation not feasible, to take other steps responsibly to meet southwest member needs.

North of Delta, the Staff has also endorsed an alternative to Colorado-Ute's proposal. The Staff would simply follow upgrading of the existing Rifle-Cameo 230 KV line (owned by Public Service Company of Colorado) to 345 KV with construction of a short, new line from Cameo to Delta and another from Curecanti to Montrose -- all of course, with appropriate substations. Cf. exhibit G, pp. 15-16. The Staff has documented that its alternative proposal north of Delta would cost somewhat less than

Colorado-Ute's proposal north of Delta. See exhibit 47. Thus, both Dr. Shah and the Staff recognized the existence of transmission system planning alternatives that Colorado-Ute rejected without any meaningful study.<sup>96</sup>

The Commission, at this time is not endorsing any of the alternatives discussed in this Decision. However, the Commission assumes that Colorado-Ute will re-evaluate the various alternatives which may be utilized in realisticall forecasting and meeting the transmission needs of its Southwestern system members. In undertaking this re-evaluation, Colorado-Ute should perform feasibility studies with regard to the various alternatives, and be prepared to present the same to the Commission in any future certificate proceeding involving the transmission needs of its Southwestern members or other members.

In Decision No. C81-1198, issued July 7, 1981, in Case No. 5693, the so-called generic case, we indicated that we were greatly encouraged by the activities of Colorado utilities in the area of power pooling. Power pooling, of course, involves both generation and transmission. That being the case, it should be clear that this Commission is not opposed to appropriate interconnection capability of Colorado-Ute with other utilities. However, our endorsement, and even encouragement, of power pooling does not equate to an acquiescence in the concept of Colorado-Ute being a future energy broker for the Western United States. It is not necessary for us, in this docket, to reach any conclusion, accepting or rejecting the claim put forth in this case by the Coalition that Colorado-Ute envisions itself as a regional power energy broker for the Western United States. Nevertheless, we wish to make it perfectly clear that our concept of power pooling and transmission interconnection does not carry with it any implied acquiescence of the concept that Colorado-Ute, or any other utility, should play the power-broker role.

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<sup>96</sup>Tr. vol. III, p. 105-106.



Power pooling, and the necessary transmission interconnections which go with it, is designed to render reliable service at less cost than if individual utility members operated independently of a pool. In other words, once reliability has been assured in a power pool, the primary motive becomes the reduction of costs in the construction and operation of the members' power systems. Power pooling results in the reduction of production costs through the conservation of fuel and capacity, and the increase in reliability of the bulk power system. The essence of power pooling is mutuality. Export of energy, on a more or less permanent basis, is not what we envision as being a regular feature of appropriate power pooling. To the extent that strengthened transmission facilities interconnecting with other utilities can be of material benefit to Colorado-Ute's members' systems, Colorado-Ute should be prepared to demonstrate the same by clear and competent evidence in any future certificate proceeding.

#### H. Denial of Intervention

With respect to the exceptions filed by Colorado and National Wildlife Federation, the Commission states and finds that the Examiner's denial of intervention and party status to those potential intervenors was within his discretion and judgment under the factual circumstances considered by him and will not be disturbed.

#### C O N C L U S I O N

Premises considered, we find that Colorado-Ute, in this docket, has not shown that its proposed 345 KV San Juan Transmission Line is financially and operationally feasible in meeting the needs of its Southwestern distribution members. Accordingly, we are unable to find and conclude that the public convenience and necessity requires the line as proposed by Colorado-Ute in this docket.

An appropriate order will be entered.

O R D E R

THE COMMISSION ORDERS THAT:

1. Application No. 33226, being the application of Colorado-Ute Electric Association, Inc., for a certificate of public convenience and necessity to construct, operate and maintain a 345 KV transmission line and related substation facilities, located in nine counties in Western Colorado and one county in New Mexico, such facilities collectively to be known as Rifle-San Juan 345 KV Transmission Line, be, and hereby is, denied.

2. The exceptions filed by the Colorado and National Wildlife Federation on December 3, 1981, be, and hereby are, denied.

3. The exceptions filed by Gunnison River Coalition and Wrights Mesa Electric Consumers Association on December 3, 1981, be, and hereby are, granted to the extent the same are consistent with the Order and Decision herein and in all other respects the same be, and hereby are, denied.



This Order shall be effective twenty one (21) days from the day and date hereof.

DONE IN OPEN MEETING the 5th day of February, 1982.

(S E A L)



THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF COLORADO

EDYTHE S. MILLER

---

DANIEL E. MUSE

---

L. DUANE WOODARD

---

Commissioners

ATTEST: A TRUE COPY

*Harry A. Galligan, Jr.*  
Harry A. Galligan, Jr.  
Executive Secretary

Colorado-Ute Electric Association, Inc.

P. O. Box 1149

Montrose, Colorado 81401

August 15, 1980

Mr. Davis Farrar  
Assistant Planning Director  
Garfield County Planning Department  
2014 Blake Avenue  
Glenwood Springs, Colorado 81601

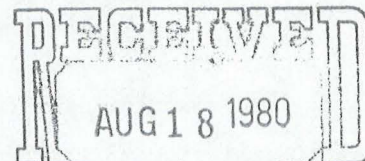
Dear Mr. Farrar:

Colorado-Ute Electric Association, Inc.  
Rifle-San Juan 345 kV Transmission Line  
Revisions to Preliminary Environmental Analysis

This letter and attachments identify revisions of the Environmental Analysis that have resulted from joint planning by Colorado-Ute, the Western Area Power Administration (Western), and Public Service Company of Colorado (PSCC), concerning the proposed transmission line. Colorado-Ute now plans to construct and operate a double circuit 345 kV line from the Colorado-Ute Rifle Substation to the San Juan Generating Station in New Mexico.

Changes required in the Environmental Analysis include modifying some of the exhibits and deleting references to a single-circuit line. The end points, the preferred route, the alternate routes, the substation locations, the future plans for the existing Colorado-Ute 115 kV line, and the proposed double-circuit 115 kV line into the Hesperus Substation will not change. The proposed right-of-way width for the double-circuit 345 kV line will be 175 feet, and the double circuit 155 kV right-of-way line will remain 150 feet.

The following items identify the substantive changes to the preliminary Environmental Analysis. Please incorporate these into your review. The editorial changes will be published in the final Environmental Analysis, which will also incorporate any changes, or revisions, found necessary during your review.



GARFIELD CO. PLANNER



Page

A-1 through A-7                    attached

Table A.5                    Item 6 - the total area of the  
right-of-way has changed (see below).  
Also, Item 7 changes to a width of  
175 feet for all 345 kV portions.

<u>Segment</u>	<u>Area-Total Row</u> <u>Max. Acres (hectares)</u>	
A	1,018.2	(412.2)
B	212.1	(85.9)
C	848.5	(343.5)
D	1,293.9	(523.8)
E	678.8	(274.8)
F	339.4	(137.4)
G	827.3	(334.9)
H	No Change	
I	509.1	(206.1)
J	No Change	
K	1,018.2	(412.2)
L	No Change	
M	No Change	
N	No Change	
O	No Change	
P	No Change	

Q	No Change
R	No Change
S	No Change
T	No Change
U	No Change
V	784.8 (317.7)
W	1,357.6 (549.6)
X	827.3 (334.9)
Y	954.5 (386.4)

Page

A-85 - A-87 Attached

B-3 Prime farmland removed will be 2 acres instead of 2 arces.

B-39 & B-40 Attached

C-1 Tax revenues will be \$2,275,000 instead of \$1,147,000.

D-2 Prime farmland removed will be 2 acres instead of 1.2 acres.

E-7 & E-8 Paragraphs discussing single-circuit equipment alternatives will be deleted.

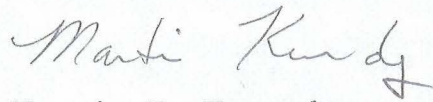
E-9 Section E.2.c. will be revised in the final Environmental Analysis to reflect the change of the proposed double circuit.

F-1 Land occupied should be 97 acres instead of 70.2. Approximately half of this land is required for substation facilities.



If you have any questions, please contact me.

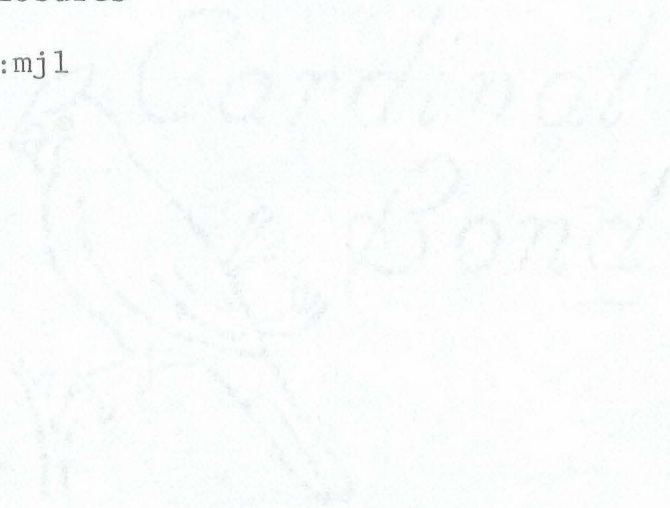
Very truly yours,



Martin E. Kennedy  
Environmental Planner  
System Planning Division

Enclosures

MEK:mjl



A. Project Description:

A. 1. Scope and Purpose of Project:

A. 1. a. Scope of Project:

Colorado-Ute Electric Association, Inc., proposes to construct approximately 288 miles (465 km) of double circuit 345 kV transmission line between Rifle, Colorado, and the San Juan Generating Station near Farmington, New Mexico. The proposed double-circuit 345 kV transmission line will be an extension of the existing Colorado-Ute line from Craig to Rifle, Colorado, and will be owned and operated by Colorado-Ute.

Initially, 345-115-kV substations will be constructed near Paonia, at Lost Canyon near Dolores, Colorado and near Hesperus. Termination of the 345-kV line at the existing Rifle Substation will include a 345-230-kV transformation. The southern terminus of the line will be at the existing 345-kV switchyard at the Public Service Company of New Mexico's San Juan Generating Station near Farmington, New Mexico (see Figure A.5-1). Associated with construction of the Hesperus Substation, the existing 115-kV line from Empire to Durango will be extended approximately 8 miles (13 km) to and from the Hesperus Substation. This will be constructed as a double-circuit 115-kV line adjacent to the proposed 345-kV right-of-way.

The proposed transmission plan is a part of a long-range phased development by the area power suppliers in the western Colorado - northwest New Mexico region. Colorado-Ute, Public Service Company of Colorado (PSCC), and the United States Western Area Power Administration (Western) and others have planned jointly to develop facilities that serve each party's long-



range needs. As a result of this joint planning effort, the proposed project will be double-circuited the entire length. The additional capacity provided by the second circuit will be owned by Colorado-Ute but will be dedicated for use by PSCC and Western. Additional future lines required to ensure continuity for Western and PSCC from Craig to Shiprock, and to provide voltage support for this project, may be constructed in the future. These additional circuits are not part of the Colorado-Ute Rifle-San Juan 345-kV transmission line project, but are discussed in Section A.9 of this document.

This document analyzes the impacts of the proposed Rifle-San Juan double-circuit 345-kV transmission line, the extension of the Empire to Durango 115-kV line, and associated substation facilities. The corridor selection process is described in Section A.6.

A.1.b. Purpose and Need for Project:

The proposed lines will be used by Colorado-Ute to supply needed additional power to its member cooperatives in western and southwestern Colorado to provide additional bulk transmission capacity between its existing and planned generating facilities and to provide additional capacity for the regional transfer of power and energy between Colorado-Ute and other power suppliers.

A.1.b.1. Colorado-Ute Transmission Needs:

Colorado-Ute's peak power requirements including transmission system losses and generating capacity reserves are identified in Table A.1.b.-1. The reserve requirement is the minimum considered adequate for planning by Colorado-Ute, and is consistent with criteria prescribed by the Western Systems Coordinating Council (WSCC).

As described in the Scope of the Project, Colorado-Ute has three related needs which must be satisfied: (1) a need for bulk transmission support to growing load centers in the local southwestern Colorado area, (2) a need for additional bulk transmission capacity between Colorado-Ute's present and future generating facilities and all Member service territories, and (3) a need for regional reinforcement. The specifics of these needs are described below.

A.1.b.1.a. Local Southwestern Colorado Needs:

Colorado-Ute member loads in southwestern Colorado are presently served from a 115-kV transmission line extending between the Colorado-Ute Rifle Substation and the Western Shiprock Substation (Figure A.3.c.-1). There are substations at Hotchkiss, Montrose, Nucla, Empire, Durango, Bayfield and Pagosa Springs. Approximately 50 to 60 MW of total electric power can be reliably transmitted over the existing 115-kV line. The line is now fully loaded and will be unable to carry the additional power requirements forecasted for this area by 1983 (see Table A.1.b.-1).

The primary purpose of the proposed transmission line is to supply power to four of Colorado-Ute's certificated member service areas: Delta-Montrose Electric Association, San Miguel Power Association, Empire Electric Association, and La Plata Electric Association (see Figure A.1.b.-1). The total peak annual power requirements for these four areas is expected to triple between 1979 and 1992. The proposed line therefore needs to be routed in a manner that best serves these areas. Since much of the projected load demand is concentrated around the North Fork Valley and Cortez-Durango areas, the following points were designated as essential tie-in points for the



transmission system: a new substation in the Paonia area, the Lost Canyon Substation and the proposed Hesperus Substation.

Several potential projects in the study area could develop into additional power requirements on the Colorado-Ute system. Potential projects include the Mt. Gunnison Mine in Gunnison County, the Shell Oil Company CO<sub>2</sub> Project in southwestern Colorado, the Dallas Creek Project, the Dolores Project the Animas-La Plata Project, the Paradox Valley Salinity Project, the Fruitland-Mesa Project, the Dominguez Reservoir Project, and the Mt. Emmons Project (see Figure A.6.b.-1). All of these potential projects are located in Colorado-Ute member's certificated service areas. In addition to these major projects, substantial load growth is expected in some areas due to development of residential areas, coal mining, uranium recovery, increased irrigation, and development of recreation facilities.

In order to ensure continuation of an adequate and reliable supply of electric power in this area, additional bulk transmission capacity is required in the Empire, La Plata, San Miguel and Delta-Montrose service territories by 1983.

A.1.b.1.b. Bulk Transmission Needs:

At present, Colorado-Ute operates 115-kV, 138-kV, and 230-kV transmission lines. These transmission lines transfer bulk power from the generation facilities (Nucla, Craig, Hayden) to various substation facilities, where it is then further distributed to serve the loads of Colorado-Ute's customers (Figure A.1.b.-1). Additionally, power is wheeled over this system for use by Western, PSCC, and the cities of Gunnison, Delta and Oak Creek.

The majority of Colorado-Ute's present generation is located in northwest Colorado (Table A.1.b.-1), thus currently requiring bulk transmission to

southwest Colorado. Future generation resources are planned for southwest Colorado, which will require associated bulk transmission facilities to connect with the distribution system. The Rifle-San Juan transmission line will serve both of these needs.

Table A.1.b.-1 shows the peak power requirements of the Colorado-Ute loads through 1990. With the projected requirements in 1983, as described in this table, Colorado-Ute has determined that the existing bulk transmission system will be inadequate. Also, when operating the existing bulk system under these fully loaded conditions, no reserve capacity is available on the transmission system to cover any unscheduled requirements. Such unscheduled requirements may become necessary to compensate for generation outages or to accommodate power purchases. Also, based upon member load projections, the existing Colorado-Ute 115-kV and 138-kV transmission system extending from Hayden Generating Station to Shiprock Substation (in New Mexico) must be reinforced with a higher voltage system.

The present transmission system in Colorado is connected to systems in neighboring states by lines of very limited capacity. An additional higher capacity line is required to improve this connection so that power may be imported during times of emergency as well as for pooling purposes and the exchange of power (see Section a.1.b.4.).

A.1.b.2. Western Area Power Administration (Western) Bulk Transmission Needs:

Studies by Western have identified the need for two 345-kV transmission lines from the Hayden-Craig, Colorado area to the Shiprock-San Juan, New Mexico area. The Rifle-San Juan project is planned as a double circuit to satisfy Colorado-Ute needs and to accommodate one of the lines identified as



needed by Western. Future lines required to ensure continuity from Hayden to Shiprock and to provide voltage support for this project are discussed in Section A.9. The reasons for Western's need for additional transmission capacity are as follows:

a) Increased Loads

Figure A.1.b.-2 reflects Western's past and present actual loads and future projection of loads. These data indicated approximately 3 percent annual increase over the past five years and 3.8 percent annual increase over the past ten years.

Table A.1.b.-2 reflects Western's existing and future generation capacity to meet these increasing loads.

b) Sites of generation vs sites of loads

The location of Western's generation facilities and loads are separated by substantial distances which necessitate the use of transmission facilities. The power available for loads will be distributed in the same proportions as now exist within Western's market area.

c) Improved system reliability for Arizona, Colorado and Utah

Additional transmission capacity is needed to accommodate loop flows in order to improve system reliability and stability. This need became evident from disturbances such as the one that caused a cascading outage beginning at Grand Coulee in Oregon and extending through Idaho, Montana and ending in Nevada and Colorado in November 1979. This was one of the many load disturbances documented by Western last year.

d) Displacement of oil energy

The use of oil to generate electricity is being replaced with

other sources where practical. The additional Hayden-Shiprock transmission capacity will permit greater use of nonoil generating sources (i.e., hydroelectric).

e) Environmental considerations

The use of the second circuit of the Colorado-Ute Rifle-San Juan line will allow Western to meet its current load demands while reducing the need for an additional corridor through this area at this time.

A.1.b.3. Public Service Company of Colorado (PSCC) Bulk Transmission Needs:

Studies by PSCC have identified the need for additional electrical capacity from the Rifle, Colorado area to the Four Corners area. The transmission pathway to carry this capacity will be provided by the second circuit of the Colorado-Ute Rifle-San Juan 345-kV transmission line. Additional future circuits required to ensure continuity from Rifle to Four Corners are discussed in Section A.9.

The reasons for PSCC's need of additional transmission capacity include:

a) Need of long-term link to Four Corners area

Previously, the only link to the south and southwest has been the Curecanti-Shiprock 230-kV transmission line owned by Western. PSCC has utilized surplus capacity in this circuit, but only on a limited basis and only in a south to north transfer direction. The Rifle-San Juan 345-kV line provides an opportunity for firm power and energy transactions between its system and the Four Corners area on a long-term basis. This participation could result in PSCC acquiring 250 MW of firm capability on a long-or short term basis.



increased system reliability. An insulated masonry block building will be constructed to serve as a control house.

Two 345 kV circuit breakers and associated breaker bays will be required to terminate the line in the existing switchyard at Public Service Company of New Mexico's San Juan Generation Station.

A. 9. Transmission System Planning:

Plans for the future electrical transmission system in western Colorado have been developed jointly by various electrical power suppliers. These suppliers include Colorado-Ute, the Western Area Power Administration (Western) and Public Service Company of Colorado (PSCC).

The three above-mentioned entities are participating with others in a study to determine future system additions needed in western Colorado and Utah. The study has identified the need for two 345 kV transmission lines from the Hayden-Craig area to the Shiprock-San Juan area. Additional lines will be developed as system loads increase beyond the foreseeable future.

The following lines are anticipated to satisfy specific load requirements and provide voltage support for the Rifle-San Juan line.

1. A 345 kV transmission line from Craig Generation Station to Western's Rifle Substation would be constructed to provide continuity for the second Rifle-San Juan circuit from Hayden to Shiprock. This facility would probably be an uprate of the existing 230 kV line and would be owned entirely by Western.
2. A 345 kV transmission line from Rifle Substation to Delta via Grand Junction would be constructed by Western and PSCC. Western would use this circuit to market the power provided by the proposed Dominguez pump-storage project. PSCC would use their capacity in

this circuit for their Grand Junction loads.

3. A 345 kV transmission line from Lost Canyon Substation to Shiprock Substation would be constructed by Western. This facility would provide continuity from Hayden to Shiprock and would be an alternate to the route through Hesperus.
4. A 345 kV transmission line from Montrose Substation to Curecanti Substation would be constructed to provide an interconnection between the Rifle-San Juan 345 kV system and the Western 230 kV system. This facility would probably replace the existing 115 kV circuit, and would be constructed by Colorado-Ute, Western, and PSCC. The interconnection would provide reliability in the event of line failure in the Rifle-San Juan system.
5. A 345 kV transmission line from the San Juan Generating Station to the Shiprock Substation to the Four Corners Substation would be constructed to provide continuity to the Four Corners Station. A portion of this facility would probably replace the existing 230 kV circuit, and would be constructed by Colorado-Ute, Western, and PSCC.
6. A 345 kV transmission line from Craig Generating Station to Hayden Substation would be constructed, probably as an uprate of one of the existing 230 kV lines. The cost would be shared by Colorado-Ute, Western, and possibly others.
7. Colorado-Ute's future planning includes new substations for the Meeker, Naturita, and Montrose areas. These facilities would be constructed when load growth in those load areas justifies these facilities.



Location studies for these additional lines are not available.

These lines will be the subject of additional NEPA documents at future dates as more information is known. The intent of mentioning these additional facilities is to make the reviewing public aware of the interrelated plans of the three entities.

\* \* \*

- D. The Colorado House Bill 1041 provides a vehicle for community planning. All developments must be in accordance with the county planning requirements. Additionally, permits for the location and operation of developments must be in accordance with state and federal environmental regulations and must have prior approval by each respective county government. It is, therefore, the local planning officials, and not the availability of electrical power, that determines the level of future industrial, commercial and residential development in each county.
- E. As a regulated utility of the State of Colorado, Colorado-Ute is obligated by state law to provide electrical power and energy to the people and industries within the certificated service areas of Colorado-Ute's member systems.

It is therefore concluded that neither the construction of the Rifle-San Juan 345-kV transmission facility or the availability of adequate power and energy will create additional developments and subsequent impacts.

B.14. Cumulative Effects:

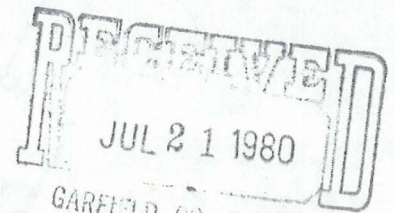
The construction of the proposed Rifle-San Juan 345-kV transmission line as described in this environmental assessment will precede construction of additional facilities by Western and PSCC. As described in Section A.9 of this document, Colorado-Ute, Western, and/or PSCC may be involved in the construction of interconnecting facilities. As previously stated, the planning for these facilities is preliminary at this time and, therefore, specific data are not yet available. As a result, these lines will be the subject of future environmental documents.



It is recognized that there may be environmental impacts associated with the construction of these additional facilities. However, because of the diverse nature of alternatives available to Western and PSCC, the nature and severity of the impacts cannot be accurately determined at this time. Efforts will be made to locate transmission facilities so they will cause minimal impact on the environment, through consideration of new alignment alternatives, use of existing corridors, upgrading of existing facilities and replacement of old facilities with new facilities, and investigation of other alternatives.

Colorado-Ute Electric Association, Inc.

P. O. Box 1149  
Montrose, Colorado 81401



July 18, 1980

Mr. Davis Farrar  
Assistant Planning Director  
Garfield County Planning Department  
2014 Blake Avenue  
Glenwood Springs, Colorado 81601

Dear Mr. Farrar:

Rifle-San Juan 345 kV Transmission Line

Enclosed you will find Figure A.4.b.-1 to be inserted after page A-22 in the Rifle-San Juan 345 kV Transmission Line Environmental Analysis which you recently received.

If you have any questions, please contact me.

Very truly yours,

A handwritten signature in cursive script that reads "Jerry A. Walker".

Jerry A. Walker  
Manager, Environmental Services  
System Planning Division

JAW/MEK:jmh

Enclosure



Colorado-Ute Electric Association, Inc.

P. O. Box 1149

Montrose, Colorado 81401

July 15, 1980

CERTIFIED MAIL  
RETURN RECEIPT REQUESTED

Mr. Davis Farrar  
Assistant Planning Director  
Garfield County Planning Department  
2014 Blake Avenue  
Glenwood Springs, Colorado 81601



Dear Mr. Farrar:

Rifle-San Juan 345 kV Transmission Line

Colorado-Ute Electric Association, Inc., proposes to construct approximately 286 miles of 345 kV transmission line between Rifle, Colorado and the San Juan generating station near Farmington, New Mexico. By constructing this proposed line, Colorado-Ute can supply the need for additional power to its member cooperatives in Western and Southwestern Colorado.

Enclosed is the following information:

1. Two (2) blueprint copies of the proposed alignment through Garfield County.
2. One (1) copy of the Draft Environmental Analysis prepared by Burns and McDonald.

Please review and comment on the above-mentioned material in writing to me. If Colorado-Ute needs to complete any special permits or meet with the County Planning Commissioners, please advise me and we can set a date for any future meetings.

If you have any questions concerning the contents of the above-listed items, please do not hesitate to contact me or

Mr. Davis Farrar

-2-

July 15, 1980

Bob Anderson at (303) 249-4501.

Thank you for your cooperation in this matter.

Very truly yours,



John E. O'Fallon, Manager  
Right-of-Way and Land  
Acquisition

JEO/RLA/bt

Encs.

cc: K. M. Hale, w/o encs.  
F. A. Kuhlemeier, w/o encs.  
H. Bjelland, w/o encs.