

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

* * *

IN THE MATTER OF THE APPLICATION OF)
ROCKY MOUNTAIN NATURAL GAS COMPANY,)
INC., FOR A CERTIFICATE OF PUBLIC)
CONVENIENCE AND NECESSITY TO CON-)
STRUCT, OWN AND OPERATE A TRANSMISSION)
SYSTEM AND GATHERING LINES FOR THE)
TRANSMISSION OF GAS, EITHER NATURAL,)
ARTIFICIAL OR MIXED, ON A PRESCRIBED)
ROUTE THROUGH MOFFAT COUNTY, RIO)
BLANCO COUNTY, GARFIELD COUNTY, AND)
MESA COUNTY FOR THE PURPOSE OF)
SUPPLYING GAS TO ITS PRESENT SYSTEM)
BY MEANS OF THE TRANSMISSION SYSTEM)
AND INTER-CONNECTION.)

APPLICATION NO. 26795

- - - - -
August 17, 1973
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Appearances: Wynn M. Bennett, Jr., Esq.,
Denver, Colorado, and
Grant E. McGee, Esq.,
Denver, Colorado,
for Applicant,
Rocky Mountain Natural Gas Company, Inc.;
John E. Archibold, Esq.,
Denver, Colorado, for the
Staff of the Commission;
William A. Newton,
Denver, Colorado, as a
Stockholder of Applicant.

PROCEDURE AND RECORD

On July 10, 1973, Rocky Mountain Natural Gas Company, Inc., hereafter referred to as Rocky Mountain, filed the above-titled application with this Commission requesting a Certificate of Public Convenience and Necessity to construct, own, and operate a transmission system and gathering lines for the transmission of gas, either natural, artificial, or mixed, on a route through Moffat, Rio Blanco, Garfield, and Mesa Counties for the purpose of supplying gas to its present system by means of the transmission system and inter-connection.

The Commission assigned Docket No. 26795 to the application and, after due and proper notice to all interested persons, firms, or corporations, set the matter for hearing at 10 a.m. on August 2, 1973, in the

Hearing Room of the Commission, 507 Columbine Building, 1845 Sherman Street, Denver, Colorado. The hearing was held at the said time and place by Examiner Thomas M. McCaffrey, to whom the matter had been assigned pursuant to law.

No petitions or protests in opposition to the application were filed with the Commission, and no one appeared at the hearing to oppose granting the authority sought by this application.

Applicant's Exhibits 1 through 18, inclusive, were offered and admitted into evidence. Official notice was taken of letters in support of the application received by the Commission prior to hearing from the following: City Council, Glenwood Springs, Colorado; Equity Oil Company, Salt Lake City, Utah; Rio Blanco Natural Gas Co., Denver, Colorado; and J. M. Huber Corporation, Denver, Colorado.

At the conclusion of the hearing, the subject matter of the application was taken under advisement.

FINDINGS OF FACT

After due and careful consideration of the entire record in this proceeding, it is found as fact from such record that:

1. Rocky Mountain is incorporated under the laws of the state of Colorado, and is engaged in the purchase, transmission, and sale of natural gas within the state of Colorado. Rocky Mountain, however, is primarily a gas distribution company, purchasing a substantial volume of its natural gas supply from outside sources.

2. A substantial part of Rocky Mountain's business is conducted in its Western Slope Division in the areas surrounding Glenwood Springs, Aspen, Delta, and Montrose, and for the 1972-1973 heating season obtained its gas supply from Wolf Creek, Collbran, Andy's Mesa, Southeast Lisbon, and its propane plant and an emergency exchange through the help of Colorado Interstate Company, parent of Trans-Colorado Pipeline Company, which controls the gas obtained from Andy's Mesa and Southeast Lisbon.

3. The supply of gas from sources available is diminishing, particularly from Andy's Mesa and Southeast Lisbon, and will continue to do so. An exchange from Colorado Interstate of 5,000 Mcfd is proposed by Applicant for the coming heating season but has not as yet been confirmed. Even with the exchange, Applicant needs an additional source or sources of gas for the coming heating season and hereafter.

4. Rocky Mountain has contracted with Kemmerer Coal Company for a long-term supply of gas originating at the Big Hole Field in Moffat County, Colorado, Township 10 North, Range 94 West of the 6th P.M. The volumes of gas contracted for are a maximum of 10,000 Mcfd on a 66.67 percent take or pay and at a price of 35¢ per Mcf, subject to escalation and renegotiation. Kemmerer Coal Co. will have eight wells drilled for 1973 delivery and will drill at least three more wells in the next three years unless the first two drilled are dry. The deliverability of the first seven wells is projected to be 6,438 Mcfd, with one additional well estimated to add another 1,000 Mcfd.

5. The route of the proposed pipeline traverses country which should produce sufficient quantities of gas to supply the greater part of Rocky Mountain's needs in the future. The gas is presently uncommitted, and it appears that price may be the controlling factor in contracting for the gas. The testimony adduced at the hearing was that gas priced at from 35¢ per Mcf to 50¢ per Mcf was reasonably priced at the wellhead.

6. Cascade Natural Gas Company has filed a tariff with the Federal Power Commission for transporting gas through its pipeline and, the tariff should be approved after August 6, 1973. Applicant proposes to extend its pipeline to connect into the Cascade Natural Gas Company line at Piceance Creek in Township 2 South, Range 97 West of the 6th P.M., and take its gas therefrom at Divide Creek for delivery into the existing system of Rocky Mountain.

7. Rocky Mountain has completed geological impact studies and environmental impact studies. It has also furnished information to the

State Board of Health, the Fish and Game Department, the Commission on State School Land, and the Bureau of Land Management. Clearances from the B.L.M. and the environmental impact study prepared by the B.L.M. should be forthcoming shortly. The State Board of Health is expected to give its clearance as to river crossings on the Yampa and White Rivers.

8. Out-of-state utility and pipeline companies, as well as major producers, are expressing interest in the potential gas supplies from the Piceance Basin, Uinta Uplift, and Sand Wash Basin and there is a good possibility that much of this gas may leave the state unless intrastate companies such as Rocky Mountain are able to contract for the gas. The construction of the pipeline will hopefully put Rocky Mountain in a position to compete for gas in the area of the pipeline as development proceeds, and the pipeline should stimulate development.

9. The Commission has no jurisdiction to either approve or disapprove the Gas Purchase Contract with The Kemmerer Coal Company (Exhibit No. 1), which contract is subject to this Commission's approval of this application.

10. Approval of the application will substantially increase Rocky Mountain's costs, including its costs of gas, and Rocky Mountain intends to seek upward rate adjustments in the near future to offset the increased costs.

11. The proposed construction including labor and materials will cost approximately \$1,600,000. Rocky Mountain will finance the project by means of short-term financing through Morgan Guaranty Bank & Trust Co. It will require a \$2,000,000 loan. Rocky Mountain should sell its Southeast Lisbon pipeline and sweetening plant to Trans-Colorado Pipeline Company by July 1, 1974, and thereby retire a \$2,000,000 loan.

12. It is in the public interest that Rocky Mountain have sufficient sources of gas for its future operations, and public convenience and necessity require that the application to construct, own, and operate the pipeline should be approved.

13. It is important that construction of the pipeline commences as soon as possible, and, in accordance with the provisions of 115-6-9(6), CRS 1963, as amended, the Commission finds that due and timely execution of its functions imperatively and unavoidably requires that the recommended decision of the Hearing Examiner be omitted and that this decision should be the initial decision of the Commission.

CONCLUSIONS ON FINDINGS OF FACT

Based on the aforesaid findings of fact, it is concluded that the authorization sought in the instant application should be granted, and the following order should be entered.

O R D E R

THE COMMISSION ORDERS THAT:

1. The Certificate of Public Convenience and Necessity for Rocky Mountain to construct, own, and operate a pipeline as proposed in its testimony and exhibits, from Big Hole Field in Township 10 North, Range 94 West to Piceance Creek in Township 2 South, Range 97 West, there to interconnect with the Cascade Natural Gas Company pipeline and to carry gas through said pipelines for delivery into Rocky Mountain's present system at Divide Creek is hereby authorized and approved.

2. Not later than thirty days after completion of the construction, Rocky Mountain shall file with this Commission a detailed map of the rights of way and layout of the pipeline and a list of journal entries to be made upon its books reflecting the cost of the construction.

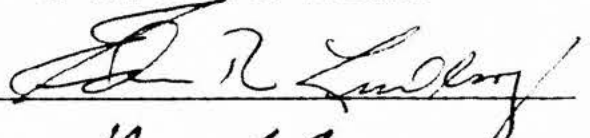
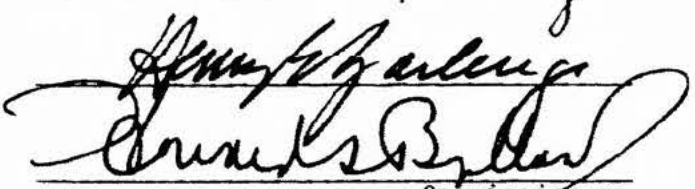
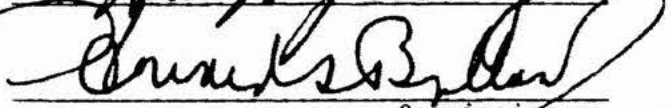
3. Rocky Mountain shall as soon as possible, file (1) Approval by the Federal Power Commission of the tariff of Cascade Natural Gas Company for use of its line; (2) Clearance by the Board of Health as to compliance with river pollution standards; (3) Authorization of rights of way by the Bureau of Land Management; and (4) a copy of the Environmental Impact Study prepared by the Bureau of Land Management.

4. The authority granted herein should be exercised from and after the date of this Order, and the Order herein contained shall be effective forthwith.

5. The Decision and Order shall be the initial Decision and Order of the Commission as provided for in Chapter 115-6-9(6), CRS 1963, as amended.

DONE IN OPEN MEETING the 17th day of August, 1973.

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO




Commissioners
vjr