

Seattle, Washington
Law Department
March 4, 1976

G. R. Frazier
Electrical Engineer
Tacoma

Re: Washington Transmission Line - Alternative Dispositions
Law Department GF 2208

George, do you think we should contact the aluminum companies to see if they would be interested in a power plant location in the area of Hanford or Beverly with potential use of the Railroad's right of way for transmission lines to Seattle, Spokane or other points?

J. Fred Simpson
General Attorney

JFS:njo
Enc.
cc: T. F. Power

ARGUMENTS

The Pacific Northwest's Independent Magazine of News, Comment and Opinion

Volume 83, No. 9

February 27, 1976

25c

Energy Realities Forging Intalco's Future

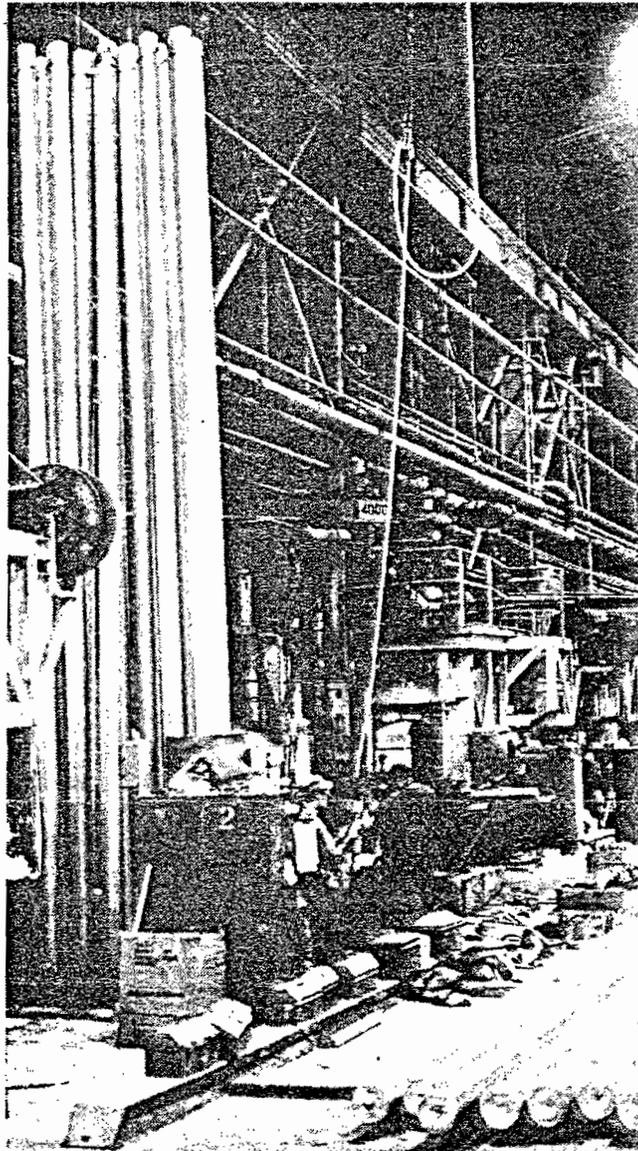
By DUFF WILSON

The world's largest aluminum producer last year, and a major Whatcom County employer with a payroll of 1,200, the Intalco Aluminum Corporation sees its future beset with difficulties.

Electricity is the number one concern of the energy-intensive aluminum smelting industry. Access to inexpensive hydroelectricity induced Intalco to settle in Whatcom County in 1964. Now Intalco president Robert Ferrie feels nothing can be done to prevent substantial Pacific Northwest power shortages from 1978 through at least 1982.

The parent problem lies with the capital-intensive electric utility industry, which has geared much of its energy planning to the assumption that nuclear power will turn out to be both financially feasible and safe. The average nuclear plant today costs more than \$1 billion to build over a 10-year period, and is stalled or behind schedule. While a nuclear reactor would generate about 1,000,000 kilowatts, Washington State alone will require about 800,000 new kilowatts a year to meet foreseeable rising needs, according to Bernie Goldhammer, former power manager of the Bonneville Power Administration. Rising demands for electricity will exceed construction or new output for at least the next six years.

Something has to give. Industrial interruptible electricity, purchased at lower rates by industry with the understanding that it will be cut off during periods of peak



Twenty-five-foot aluminum ingots are raised from vertical casting unit at Intalco plant.

use and the industry will switch to higher cost power from other sources, is the first casualty of power shortages.

But Intalco's Ferrie said recently that even if the Northwest aluminum industry's interruptible (about

one-fourth of its total BPA intake) is cut, it will not cover the projected deficit.

Who will take the rest of the loss? BPA administrator Don Hodel said last summer, "It's going to be a question of do you want to shut down Boeing or do you want to shut down the schools?" Or the aluminum plants, which consume about one-third of BPA's output? Ferrie noted that government will have to make difficult decisions on power priorities in coming years, and "the aluminum industry's image becomes very important during that time."

Its image has been tainted by two basic complaints in the environment-conscious Northwest: too much pollution and too much electricity.

Pollution is no longer a major public concern, Ferrie claims, since the aluminum industry is in compliance with clean air and water laws. Intalco notes with pride that over \$25 million of its \$175 million capital investment has been for anti-pollution equipment. However, in 1970 and 1971 Intalco was defendant in 18 lawsuits by local property-owners charging fluoride poisoning of their forage or livestock. All but two suits were settled out of court, and those two are currently in Appellate Court, each complainant having won a previous judgment for over \$130,000.

The aluminum industry responds to complaints that it uses too much energy by documenting energy savings of lightweight aluminum compared to other metals,

Continued on Page 4

Indians Possess Sovereign Rights In Sales Tax Dispute

the example."

Moon is a Snohomish County Democrat and a veterinarian perhaps best known for his efforts to get that initiative passed putting an income tax on corporations.

He failed on that one, but now he has his eye on the expenses of the legislature, and he admits that what has happened in ballooning of staff costs happened under the control of Democrats in general, Speaker Leonard Sawyer in particular. Moon is a

pay check of \$1,083 going to a systems analyst.

Now, there are 105 permanent employees in the House with nine of them making over \$2,000 a month and 54 making over \$1,000 a month.

And just to show how political influence works, in 1972 Dean Foster was on the payroll as a redistricting clerk, at \$750 a month.

Today Foster is chief clerk, and his monthly paycheck is \$2,544. Multiply that by 12

instruction (\$31,500 each), exceed him.

Now Foster is a nice fellow who presumably does his work well, but there just can't be that much to do between sessions, considering they also are overflowing with various other staff directors, etc., among those 105 employees.

He gets that fat paycheck because his was a patronage job and his friend Leonard Sawyer didn't hesitate to spend the people's money where he saw fit.

way, some of those highly paid House people will have to make a living someplace else.

He has a resolution calling for establishment of a special committee to audit the expenses of the House of Representatives, including pay, travel and equipment purchases.

If the legislature wants to make other areas of government more accountable, said Moon, it had better start with itself.

Aluminum Casts Weary Eye on Power Availability

Continued from Page 1

progress toward more efficient smelting processes, and research of geothermal and other possible new energy sources.

BPA contract renegotiations in the not-so-distant future are worrying many aluminum executives. The aluminum industry has purchased about one-third of BPA's electricity deliveries over the past 35 years. Intalco, Ferrie reported, paid BPA \$8,600,000 for electricity in 1975, and spent about \$2,000,000 on other, costlier power sources — including Hanford, Centralia and out-of-state — to replace BPA's interrupted deliveries during peak load periods. That arrangement should suffice for several years but, as Ferrie said, "While we have a contract with Bonneville Power until October 1984, there is already pressure being exerted to take that power from the aluminum companies."

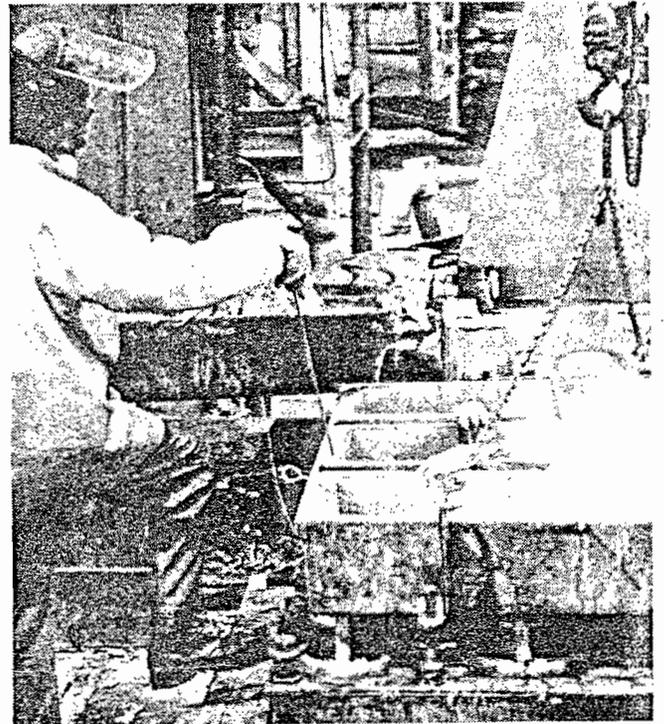
Intalco is first. The other six Pacific Northwest aluminum companies' BPA contracts also expire from 1984 through 1986, Ferrie said. What will happen then is not yet predictable.

Ferrie, chairman of the Bonneville Industrial

Customers, a coalition of all Northwest aluminum companies and 12 other large corporations, said that group is committed to a united effort and investment toward solving its power plight.

Intalco did make a profit in 1975, Ferrie said, but only because the more than 100 million pounds of aluminum now stockpiled there are on Intalco's owners' books. The construction industry slowdown resulted in overproduction. Intalco, though, operated at capacity around the clock (unlike most other aluminum companies), produced about one ton of aluminum every two minutes, and consumed about 415,000 kilowatts of electricity last year. Sales would probably have been disastrous if not for the sometimes-controversial shipments to mainland China, which are arranged by Intalco's two owners.

Recycling is the aluminum industry's future. Ferrie projected that demand for aluminum will increase at a rate of about eight percent a year, especially in the transportation area. Because of increased power costs, primary installing capacity probably will not match that growth. But re-melting



Worker oversees pouring of hot liquid aluminum.

requires only about five percent of the electricity required to smelt aluminum. So Ferrie said he expects recycling to comprise 50 percent of the industry's output in about 15 years.

Meanwhile Intalco and its

counterparts will continue increasing sales and worrying about energy. As Ferrie said, "One-third of the U.S.'s aluminum plants are in the Pacific Northwest, so obviously we don't intend to stand around and do nothing."

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Tacoma - March 9, 1976

File: Washington Transmission Line

Mr. J. Fred Simpson:

Relative to your March 4 letter, I believe that an aluminum company should be contacted in regard to the power plant. I believe the ultimate contact would be Mr. Robert Ferrie, who heads up the coalition of all Northwest Aluminum Companies. Preliminary contact, however, could be made with the Power Manager of ALCOA, who is Lyman Harris, at Vancouver, Washington; and the Power Manager for Kaiser, who is John Holtzapfle in Oakland.

Aluminum ingots now selling at 41 cents per pound require 6 Kilowatt hours per pound to produce. Half-mill power would be 7 per cent of the cost to produce ingots.

You will note that new thermal power will be 4 to 5 times more costly than present hydro power. The manager of Kaiser Aluminum says that they do produce aluminum with coal producing the electricity in West Virginia; and I suggest that we investigate our proposition with the Power Manager.

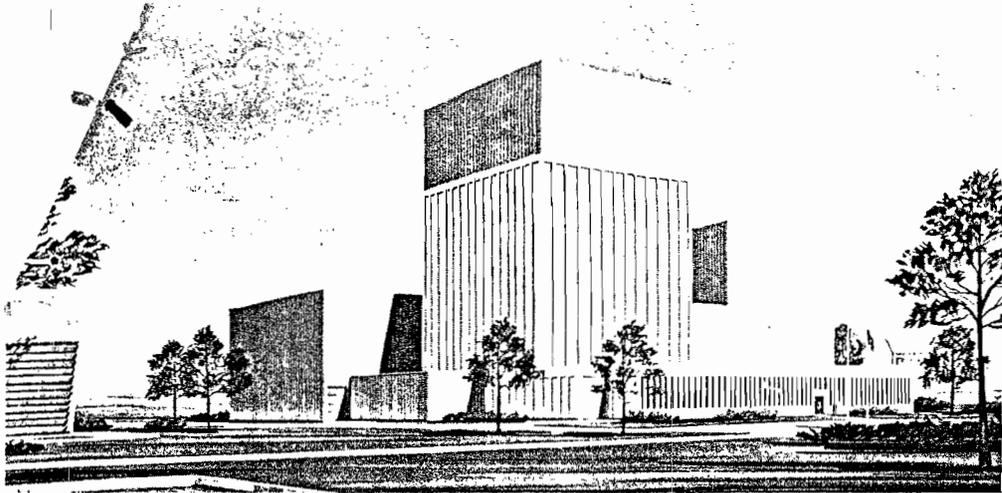
Kaiser said they would consider branching into supplier participation with aluminum conductors and aluminum towers.

G. R. Frazier

GRF:ls

Attachment

cc: Tom Powers



Nuclear-powered electrical generating plants are held out as the most feasible means of meeting additional electrical load requirements short run. Washington State has been sited for seven such projects over the next ten years — three at Hanford, two at Satsop in Grays Harbor, and two in Skagit County. Under construction currently is the Washington Public Power Supply System's 1100 megawatt Hanford Number 2 nuclear plant, shown in an artist's rendition, about 13 percent completed toward a late 1979 scheduled deadline. When placed on line, this will complement the power from the existing Hanford N reactor. Portland General Electric's new 1130 megawatt Trojan nuclear plant on the Oregon side of the Columbia River is scheduled for completion early next year. (Photo courtesy WPPSS, Richland)

the power program in transition

Nature blessed the Pacific Northwest with a third of the nation's total hydroelectric potential, a fact which has shaped both the manner in which people live and the way they make their living. Thus endowed, the region has been able to price its power at less than half the national average price, thus encouraging domestic use of electricity, even for home heating, and accommodating electroprocess industries — notably aluminum — first as a wartime necessity during World War II and later as a welcome addition to the industrial base. During all but the earliest years of the postwar period, however, it was touch and go to keep the development program in step with growing consumption. The potential shortage in a critical water year was growing — and then in 1973, there was critical water, fortunately relieved within a few weeks but meanwhile hitting the region with the necessity to curtail all uses of electricity drastically.

Meanwhile, it has become clear that virtually all of the economically feasible hydroelectric additions to the system will be harnessed in the next few years and the region will be moving quite rapidly to a hydrothermal base. Within ten years, the split is forecast at 50-50 for energy base load. In preparation for this shift, the five major investor-owned utilities and 104 public agencies joined with the Federal Government some five years ago in a unique accord for the purpose of long-range power facility planning. Essentially, the Federal Government continues responsibility for hydro additions plus transmission for the entire grid; the utilities take on the new thermal installations, some of it individually and some as a joint effort under the banner of the Washington Public Power Supply System. At year-end 1974, approximately 8 million kilowatts of hydro capacity was under construction, about half in the third powerhouse at Grand Coulee. An additional 2 million is authorized, and potential exists for possibly 6 million more. On the thermal side, fourteen new plants are proposed to come on line by 1985, totaling 14.3 million kilowatts, plus another 1.3 million kilowatts expected to come from a Montana project which will be delivering part of its output outside the coordinated system. Of the 15.6 million kilowatt total, 80 percent will be nuclear. Even assuming a less than historical load growth and no slippage in the schedule, this ambitious program will leave a potential deficit in any critical water year.

This program clearly is going to mean higher power costs for the region but it will not wipe out the regional advantage in this regard. Typically, thermal energy is more expensive than hydro by a factor of four or five. New hydro is itself far more expensive than old hydro because of higher construction and interest costs. All of these will be blended into a regional average, however, which will still be well below the costs — also rising — in other parts of the nation. There is nothing unique to the Pacific Northwest in the urgent need to expand power facilities. It is a nationwide problem. Last year some 60 percent of planned nuclear expansion in the U.S. was postponed or shelved because of either financing difficulties or litigation over environmental impact. On the first score, this regional program should experience a minimum of difficulty. Moody's has given the Washington Public Power Supply System (the regional consortium) a rating of AAA. The environmental question is something else again. There has been slippage on this count, and it remains to be seen whether an adequate program can be carried forward even in this region.

Handwritten signature or initials

Chicago - March 10, 1976
Refer to: S - Wash. - General
Transmission Line - PSP&L

Mr. Howard C. Barnes
Vice President
Chas. T. Main, Inc.
Southeast Tower
Prudential Center
Boston, Massachusetts 02199

Dear Mr. Barnes:

This will confirm my phone conversation with Mr. Frank L. Brown of your office today in response to your letter of March 5 regarding the study of our 100 KV electric transmission line from Taunton to Cedar Falls, Washington.

This is to advise you that your proposal as submitted is acceptable and that we wish to proceed with the project as promptly as possible in order to meet the timetable as established in the letter.

I understand Mr. Bellavance will be coordinating the project and I will look for him in our real estate office on the 8th floor of the Skinner Building in Seattle at 8:30 A.M. on Wednesday morning, March 17. Mr. G. R. Frazier, our Electrical Engineer, will be with me at that time and we can begin our discussions. A meeting which had originally been scheduled at 1:00 P.M. on the 17th has now been postponed to a later date so the entire day will be available to work with Mr. Bellavance. If necessary, we will drive to Tacoma where Mr. Frazier's office is located to review maps and other records. We will provide the transportation.

Sincerely,

(SIGNED) E. J. STOLL

EJS/eev

bc: W. L. Smith Attached is a copy of Mr. Barnes proposal. You will note on
R. K. Merrill Page 2 that it is estimated that the study will cost from
B. J. Worley \$13,000 to \$16,000. It appears essential that we have such
W. H. Ploeger a study and assistance if we are to negotiate a lease or
G. A. Kellow operating agreement with PSP&L. I would appreciate your
T. F. Powers, Jr. confirmation of the expenditure which I have authorized.
D. L. Wylie
J. F. Simpson
P. W. Scott
P. R. Frazier





CHAS. T. MAIN, INC.

SOUTHEAST TOWER, PRUDENTIAL CENTER, BOSTON, MASSACHUSETTS 02199 • TELEPHONE 617-262-3200

March 5, 1976

Mr. E. J. Stoll, Vice President
The Milwaukee Road
286 Union Station
Chicago, Illinois 60606



Dear Mr. Stoll:

Pursuant to discussions with our Mr. Frank L. Brown in your office on Tuesday, March 2, 1976, we are attaching hereto a proposal to undertake and complete a study of costs and appropriate charges relative to the use, by Puget Sound Power and Light Company, of your 100 kV Taunton-Cedar Falls Transmission Line. This proposal is believed to be in accordance with the scope of work agreed upon with Mr. Brown at the March 2nd meeting and nullifies the proposal and scope of work submitted by our letter dated January 16, 1976.

In view of the extremely short time available for accomplishing this effort the scope of work that is contemplated must be limited to a rather cursory determination of replacement cost new, less observed depreciation. This, it is felt, will yield a base for establishing an annual rental or lease charge which will most likely represent an upper limit for purposes of negotiations.

Concurrently, information will be gathered representative of similar situations elsewhere. This, it may develop, might represent the lower limit of the range of annual charges under negotiation. Recommendations will obviously embody a large element of experience and judgment.

In all cases, responsibility for the operation and maintenance expenses associated with the line will be reckoned with.

In accordance with your requirements, we will proceed with this effort immediately upon being authorized by you to do so and plan to have our findings and recommendations available to you (possibly only on an informal basis with formal report to follow promptly) within 3 weeks of date of said authorization. The formal report will include suggested language and format for formalizing an agreement with Puget Sound Power and Light Company.

This effort will be under the direct supervision of our Mr. Francois X. Bellavance, Manager of our Economics and Tariffs Department (resume attached). Mr. Bellavance's responsibility will include the coordination of all MAIN participants on this assignment. Further, we are assuming that he will be required to participate in up to two conferences following the completion of subject study and through to May 1, 1976.

The basis of compensation for services will be determined as shown below and will be applicable to all types of services MAIN might provide The Milwaukee Road including any changes in the scope of work in accordance with The Milwaukee Road's requirements.

Charges for salaried and nonsalaried employees, which include employees on the payroll of Chas. T. Main, Inc., and its subsidiaries, will be billed at the established hourly billing rates plus 120% for all time spent on this work, plus:

- (a) Cost of travel and living expenses incurred in conjunction with this work;
- (b) Cost of printing and other reproductions;
- (c) Computer and program usage;
- (d) Cost of long distance telephone calls, telegrams, postage and other communications.

Invoices will be submitted at four-week intervals and are payable upon receipt.

We estimate that total charges for services as herein contemplated will not exceed \$13,000 and that associated expenses may be on the order of about \$3,000.

We are pleased at the opportunity to be of service to The Milwaukee Road. Given authorization to proceed you have our assurance that

every effort will be made to accomplish this assignment as efficiently as possible consistent with our constant pursuit of the highest quality of performance.

Very truly yours,

CHAS. T. MAIN, INC.



Howard C. Barnes

Vice President

cc: Mr. T. F. Power, Jr.
Mr. D. L. Wylie



THE MILWAUKEE ROAD
STUDY OF
ELECTRIC POWER TRANSMISSION SERVICE

GENERAL

This study is intended to develop a basis for establishing a schedule of equitable charges applicable to the Transmission Line facilities and right-of-way owned by The Milwaukee Road and used by Puget Sound Power and Light Company. The facilities under study consist of a 100 kV single wood pole transmission line along the 137 mile long right-of-way from Taunton to Cedar Falls, Washington.

The currently effective agreement with The Milwaukee Road for use of this line by Puget Sound Power and Light expires on May 1, 1976.

MAIN's effort must therefor be limited and completed as far in advance of the May 1, 1976 date as possible.

SCOPE OF WORK

- establish replacement cost of poles (structures) and attachments (including conductors);
- judgment estimate of depreciation (observed);
- land (right-of-way) value;
- develop basis for allocation of right-of-way cost between RR use and electric power transmission use;
- develop annual fixed charges associated with the transmission line;
- gather and analyze annual operation and maintenance expenses;
- gather representative agreements for similar situations elsewhere in the U. S.;
- develop a range of charges; possibly varying with the term of years of the agreement;

- ° consider escalation clauses if and where appropriate;
- ° develop recommended language and format for an agreement; possibly with provisions for termination.

REPORT ON FINDINGS AND RECOMMENDATIONS

An informal report on our findings and recommendations will be made within three weeks of the date of authorization to proceed with this study. The formal report will be made available as promptly thereafter as possible but in any event within one week of the informal report.

March 5, 1976

EXPERIENCE

Francois X. Bellavance is the Manager of the Public Utility Economics and Tariffs Department. He has had 30 years of experience in the field of public utility economics and tariffs.

Since joining MAIN, Mr. Bellavance has been engaged in expanding the firm's expertise in areas of specialized management assistance including system planning, electric and gas load research and forecasting, market analyses finance and accounting, cost allocation studies and rate design.

Mr. Bellavance has also participated in negotiations leading to the design of tariffs for power interchange between utilities and private plants and has developed special contracts for extraordinary situations. He has prepared testimony and exhibits for presentation before regulatory bodies in several states and has appeared as an expert witness on cost allocation and rate matters.

In general his experience has included analyses of system investments and operating expenses in relation to system capabilities and customer demands, studies of cost-of-service and competitive costs, economic and statistical studies including measures of performance, business cycle studies, trends in earnings and forecasts, and analyses of utility prices and practices. These services have been rendered electric, gas, water and transportation utilities.

EDUCATION

Bachelor of Business Administration
University of Miami (Florida)

INSTRUCTOR

Conducted Courses in Economics at the
National University of Iran

PUBLICATIONS

A paper entitled "Cost Allocation –
Theory and Practice"
An article entitled "Peak Load Pricing Seen an
Aid, not Solution, to Rate Structures"

PROFESSIONAL AFFILIATIONS

National Association of Water Companies
Northwest Electric Light & Power Associates
National Society of Professional Engineers
Institute of Electrical and Electronics Engineers

FRANCOIS X. BELLAVANCE



CREDENTIALS

Studies of System Investments and Operating Expenses
System Load Studies
Economic and Feasibility Studies
Power Market Studies
Electric and Gas Load Research and Forecasting
Cost Allocation Studies
Special Contracts for Bulk Power
Rate Design and Structuring
Property Appraisals and Cost Trending

Clients served:

- o City of Groton, Connecticut
- o Concord Electric Company
- o Connecticut Light & Power Company
- o Consolidated Edison Co. of New York
- o Exeter and Hampton Electric Company
- o Florida Power & Light Company
- o FMC Corporation
- o Hartford Electric Light Company
- o Hawaiian Electric Company
- o International Atomic Energy Agency
- o Ministry of Water & Power (Iran)
- o Manila Electric Company
- o Mathey-Bishop, Inc.
- o Portland General Electric Company
- o Public Service Coordinated Transport of New Jersey
- o Scott Paper Company
- o South Carolina Electric and Gas Company
- o Southern California Edison Company
- o United Illuminating Company
- o Utah Power and Light Company
- o Virginia Electric and Power Company
- o Wellsboro Electric Company

Figure

Transcript

Chicago, March 15, 1976

Mr. E. J. Stoll:

Per our conversation: please proceed per your letter of March 10 to Mr. Howard C. Barnes of Chas. T. Main, Inc. Please keep all concerned advised as this moves along.

Original Signed By
Worthington L. Smith

cc-Messrs:

R. K. Merrill

B. J. Worley

W. H. Ploeger

G. A. Kellow



File:
Trans. line

Seattle, Washington
Law Department
March 17, 1976

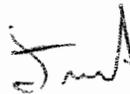
G. R. Frazier
Electrical Engineer
Tacoma

T. F. Power ✓
Manager-Capital Expense Planning
Chicago

Re: Alternate Dispositions of the Washington
Transmission Line
Law Department General File 2208

The attached photocopy of an article appearing on the front page of the Seattle Times indicates that the market for our power line may indeed be far wider than we initially envisioned.

This for your information.



J. Fred Simpson
General Attorney

JFS:njo
Attachment

ment of this special session.

During a six-hour session yesterday the House approved a pay raise for legislators, to \$7,200 a year from \$3,800, and a controversial teachers-tenure bill. Both measures, considered essential to final adjournment of the legislative session, went to Gov. Dan Evans for his action. The pay raise would apply to legislators as they are elected or re-elected. Lawmakers could not collect it during their present terms.

tricts.

Both bills were sent to the House. The House passed a tax bill of its own but its reception in the Senate was uncertain.

The measure calls for a three tenths of 1 per cent sales tax increase (upping the rate to 5.8 per cent in King County), 11 per cent increases in the business-and-utilities taxes and a ceiling on special levies of \$4 for each \$1,000 of assessed valuation.

That spending document has been rejected twice by the lower chamber.

"We're trying to avoid a conference because we think that will further extend our stay here," Senator Gordon Walgren, Democratic floor leader, said.

"We think eventually the House will come to the realization that the Senate version will have to be passed," the Bremerton Democrat said. (Related articles, A 8, A 16.)

FIRST AVE MAR 15 1976 SENATE TIMES

B.P.A. may end power sales to N.W. industries in 1980s

By BOB LANE

Major Pacific Northwest industries which buy electricity directly from the Bonneville Power Administration apparently will be told their contracts will not be renewed when they expire in the mid-1980s because there will not be enough electricity to serve them.

The impact of nonrenewal is not clear, but at the worst it would mean that Bonneville would have no electricity to sell to the region's aluminum plants, chemical makers and paper producers which now buy energy directly from the federal agency.

UTILITY AND industrial officials have been expecting the B.P.A. to issue what is known as a notice of insufficiency sometime in the future.

It now appears the notice will be delivered by Don Hodel, B.P.A. administrator, at a meeting of the Bonneville Regional Advisory Council in Portland Wednesday, The Times has learned.

Under federal law, the B.P.A. is required to give preference in the sale of electricity from Columbia River projects to publicly-owned utilities, such as City Light and the Snohomish County P.U.D.

If the B.P.A. does not renew industrial contracts as they begin to expire in 1983, the electricity once sold to industry would instead be sold to public utilities.

Bonneville sells directly to 10 aluminum plants in Oregon and Washington. Its direct customers also include the Crown Zellerbach paper mills in Port Angeles and Port Townsend, several chemical firms

and other types of metals processors.

The B.P.A. has 24 direct-sale industrial customers.

HODEL SAID it would take a change in federal law — eliminating the preference clauses apparently — to permit renewal of industrial contracts.

For the past year Hodel has been stressing that the region faces an energy shortage because of delays in construction of new power plants

in the Pacific Northwest.

Some public utilities in the Northwest have been aware of the possibility the B.P.A. would not renew its industrial contracts and have been counting on the availability of additional amounts of federal energy for their customers.

The B.P.A. directly or indirectly provides about two thirds of the electric power used by industry in the region. About 40 per cent of all federally-generated electricity sold by the B.P.A. goes to industry.

Thieves spirit away 44 tons of railroad track

MORNING SUN, Iowa — (AP) — Daring scrap-iron thieves stole 44 tons of track from the Great River Railroad last month, and the fledgling railroad — which has yet to run a train — has not yet been able to replace it.

The thieves cut up and carted away 3,000 feet of newly laid track.

"They just waved at farmers who saw them cutting up the rails with acetylene torches," said Larry Raid, co-owner of the 28-mile-long railroad. "The farmers figured it was us working on the track and just waved back.

"Farmers around here are so friendly they'll wave at anybody."

Rails come in 30-foot lengths weighing 880 pounds, Raid said.

"The thieves did a real slick job," he said. "They apparently cut the

rails into 150-pound sections for easier carrying. They even left some of the bolts in nice neat piles. They might have got \$10,000 for the rails if they sold them right."

Raid, 36, is owner of a small plastics plant in nearby Denmark. He and a partner bought a section of the former Minneapolis & St. Louis main line from the Chicago & North Western for \$12,500 three years ago, and are fixing it up in hopes of running a profitable small railroad for customers in Southeast Iowa. Much of the work so far has involved replacing worn-out rails and ties.

"We could be going yet this summer," Raid said. "We have an option to purchase two locomotives, but we still have to replace 22 miles of track to hook onto the Rock Island mainline."

5

Pass more rules than Congress

3173-1-1

COPY

April 8, 1976

Mr. I. J. Stoll, Vice President
The Milwaukee Road
286 Union Station
Chicago, Illinois 60606

Dear Mr. Stoll:

With reference to your letter of March 10, 1976 authorizing us to proceed with the study of the Milwaukee Road's 100 kV electric transmission line (operated at 115 kV) from Taunton to Cedar Falls, Washington, we are pleased to submit herewith the report on our study and recommendations. This report has, among other objectives, the delineation of direction that might most prudently be pursued by the Milwaukee Road in its negotiations. Various alternatives are presented in order to enable elimination of the least desirable of schemes as well as to orient all interested parties as to the magnitudes of dollars that are involved.

If, after review of this material, it is found that substantive corrections, revisions, modifications or development of other alternatives are in order, we will proceed as expeditiously as possible with appropriate analyses.

The entire engineering effort in connection with this study has been carried out by our Mr. Douglass F. Tulloch, Electrical Engineer, with the assistance of our Mr. William A. Cady, Assistant Cost Analyst, I, with the assistance of our Mr. Robert M. Granger, Cost Systems Specialist, have been responsible for coordination of the effort as well as the assimilation of the various measures of value.

It may be well to note that should negotiations with Puget Sound Power and Light Company appear to be headed for formal proceedings, requiring presentation of expert testimony, it will be important that Mr. Tulloch be given an opportunity to personally inspect the transmission facilities in considerable detail.

Turning to the question of strategy, there would seem to be merit to a formal letter to Puget Sound seeking a mutually convenient date

The Milwaukee Road
April 8, 1976
Page 2

(presumably before May 1, 1976) to meet to discuss the matter at hand. We would urge that this letter stipulate that any agreement that is reached will, if not consummated before May 1, be retroactively effective to the May 1 date. Puget Sound cannot in good faith object to such a stipulation, however, it may be well to have their consent in writing.

Following the body of our report is a marked-up version of the draft agreement. Detailed supporting schedules as well as estimates are appended thereto.

We look forward to discussing subject report with you at your convenience. If we can be of further assistance to you in this or other matters, please let us know.

Very truly yours,

CHAS. T. MAIN, INC.



F. X. Bellavance, Manager
Public Utility Economics & Tariffs



D. F. Tulloch
Electrical Engineering Consultant

FXD/mcc

Enclosure

cc: H. C. Barnes
I. R. Hamilton

The Milwaukee Road
Report on
Study and Recommendations
Regarding
Electric Power Transmission Line

Chas. T. Main, Inc.
Boston, Massachusetts
April 8, 1976

The Milwaukee Road
Report on
Study and Recommendations
Regarding Agreement
for
Land Use and Air Rights
(including use of railroad's tracks for access)
in the
Transmission of Electric Power

Background

The Chicago, Milwaukee, St. Paul and Pacific Railroad Company (The Milwaukee Road) owns a right-of-way 137 miles long from Taunton, Washington, west to Cedar Falls, Washington. In addition to the single line of railroad track and the pole line with railroad signal and communications wires attached, there is a 100 kV electric power transmission line (operated at 115 kV) and six railroad owned substations. The electric power transmission line occupies a portion of subject right-of-way for an aggregate distance of about 107 miles. The remaining 30 miles of transmission line is on easements across private property or Forest Service land.

This transmission line was built around 1918 for purposes of electrification of this section of the railroad. The agreement for the railroad's power requirements is with the Washington Water Power Company although the power supply actually comes from Puget Sound Power and Light Company. The Milwaukee Road converted from electric to diesel locomotion around 1973 consequently the railroad's present-day power requirements are limited to that needed for its signal and communications systems.

Over the years the power companies have, by agreement, made use of the power transmission line to serve electric customers along the route such that at present there are taps at Kittitas, Woldale, Easton, Whittier, and Hyak. A couple of these are believed to be Public Utility Districts.

The presently effective agreement with Washington Water Power Company for use of the railroad's transmission line expires on May 1, 1976. It has been

indicated that any new agreement must be negotiated and entered into with the Puget Sound Power and Light Company. It appears that Washington Water Power's interest is limited to + 25 miles of line west of Taunton and would presumably look to an arrangement with Puget Sound Power for use of same.

Transmission Line Characteristics

A periodic system study performed by the Bonneville Power Administration, based on load data furnished by the interconnected utilities, shows the power flows predicted for the worst conditions in January, 1980, as follows:

	<u>Megawatts</u>
Input to RR Line at Taunton	41.0
Combined load served at above points	<u>-21.8</u> ✓
Power transfer and losses	19.2
Power transfer (i. e. out of RR line at Cedar Falls to PSP&L Co.)	<u>-13.2</u>
Line and Miscellaneous Losses	6.0

It is also indicated that since the line is rated to carry a maximum of 290 amperes or 50 MVA (megavoltamperes), there appears to be ample capacity to carry existing utility loads for several years before reaching the power limit on the line. On-the-other-hand, it should be noted that BPA is reported to have found that the line is at times overloaded.

Purpose, Premises and Scope of Study

This study has as its purpose the development of a basis and alternatives for entering negotiations with Puget Sound Power and Light Company for its continued use, or termination of further use, of the railroad's power transmission facilities. There is a general consensus that the 137 miles of right-of-way represents a most valuable asset to the railroad; particularly in light of present day environmental concerns and considerations. It is also our understanding that the railroad would like to preserve unto itself all possible freedom with respect to the use of this right-of-way with a view to maximizing benefits as new opportunities develop. As a further premise, we will assume that the

railroad would prefer not to engage in the transmission of electric power thus avoiding state regulation attending such activity.

With the purpose and the premises as set forth above, the scope of this study will be limited to a determination of "functional value of the transmission line facilities" to Puget Sound Power and Light Company. In the absence of the existing facilities and right-of-way, Puget Sound Power and Light Company would be compelled to embark upon a program of right-of-way acquisition and construction of power transmission facilities. The annual fixed charges associated with the present-day cost of such an undertaking therefor represent the "functional value" to the Power Company of the railroads' existing transmission facilities.

Our development of "functional value" is deemed most conservative in that it includes none of the costs associated with the extensive, time-consuming and costly litigation that environmental concerns would surely engender in connection with a new right-of-way; nor any of the costs to the power company of arranging for power supply to its customers following termination of use of existing facilities until it has completed construction of an altogether new transmission line. The aggregate of these costs are likely to be staggering. Further, since our determination of "functional value" represents present-day replacement cost of the railroad's transmission facilities along the existing right-of-way and easements crossing private and/or Forest Service property, it is reasonable to assume that it is the least costly in that it is believed to be the most direct, and most readily accessible routing; (not to mention the fact that it constitutes a 137 mile corridor of contiguous properties). Consideration of other routes would surely entail added costs.

Summary of Findings

Our analyses have been aimed at developing measures of value of the electric power transmission line. Results of these findings are summarized below:

<u>Gross Cost</u>	1975 Cost of 137.64 Miles		
	<u>Land</u>	<u>Trans. Facilities</u>	<u>Total</u>
The Milwaukee Road - (a)	\$600,000	\$11,169,428 - (c)	\$11,769,428
Replacement Cost New - (b)	\$600,000	\$12,741,940 - (c)	\$13,341,940
Replacement Cost New - (c)	\$600,000	\$12,621,880 - (c)	\$13,221,880

<u>Original Cost Characteristics of Four Utilities</u>	137 miles 110 to 115 KV			<u>Total</u>
	<u>Land*</u>	<u>Trans. Facilities</u>		
		<u>Per Books(d)</u>	<u>Equiv'75 Cost(e)</u>	
Washington Water Power Co.	\$ 148,101	\$2,149,937	\$ 5,043,752	\$ 5,191,843
Puget Sound Power & Light Co.	386,493	8,005,418	15,682,614	16,069,107
Virginia Electric & Power Co.	1,013,581	6,760,739	13,521,478	14,535,059
Utah Power & Light Company	117,269	3,184,990	6,577,004	6,694,273

- Notes:
- (a) Original cost trended to 1975
 - (b) Assuming use of crossarms and suspended disc insulators
 - ~~(c) Assuming use of horizontal stand-off insulators~~
 - (d) As of Dec. 31, 1974, per books (FPC form #1)
 - (e) Trended up to 1975 values

Although the above reflects a wide divergence of costs, the values are nevertheless deemed to have merit as points of reference for entering negotiations. It is of interest to note that The Milwaukee Road costs (a), (b) and (c) above, fall within the range of those for the four utilities. At the other end of the spectrum we set forth below results of our estimates of present value of existing facilities. Specifically, this is the trended original cost, as shown above, less observed depreciation of 75%.

** Not Escalated - No trend*

	Land	Trans. Facilities	<i>incl. eqm</i> Total
Existing Facilities	\$600,000	\$11,169,428	\$11,769,428
Less: Deprec. (Est. @ 75%)	-	8,377,071	8,377,071
Net Orig. Cost Depreciated	\$600,000	\$ 2,792,357	\$ 3,392,357

The element of observed depreciation is subject to field inspection by a qualified Electrical Engineer (Mr. D. F. Tulloch)

In view of the above, it is suggested that the present value of existing facilities and related land constitutes a basis for developing an annual charge that may be viewed as minimal. This development is as follows:

Remaining value of Trans. Facilities	\$2,792,357	
Land Value	\$ 600,000	<i>- incl. clearing (76) Access</i>
Total Value	\$3,392,357	

<i>APT TAX NET</i> Return on Value of Investment (at 10% not levelized)	\$ 339,236	<i>Pr. Tax</i>
Federal Income Tax on Return (4.8%)	313,141	<i>Return</i>
Plus: Annual Depreciation Accrual (a)	310,262	
Sum of Annual Charges	\$ 962,639	<i>\$ 508,854 @ 5%</i>
Equivalent Monthly Charge	\$ 80,220	<i>469,711</i>

Notes: (a) Traditional depreciation rate of 2.70% represents service life of transmission facilities of 100 = 37 years; assuming only 25% of years of life remaining, then $37 \times .25 = 9 \frac{1}{4}$ years (say 9 years) then $\$2,792,357 \div 9 = \$310,262$.

There appears to be considerable merit in having as much of the monthly charge as possible relate to the use of land and the important intangibles associated with said land and a minimal amount related to the use of the transmission facilities. This approach looks to some point in the future when the existing transmission facilities have been replaced by Puget Sound. Under such circumstances the Milwaukee Road's interest will obviously be limited to the Land and Air Rights involved (including power company's use of railroad for access to transmission facilities).

Toward this end it is suggested that title to the existing transmission line facilities (excluding switches and substations) be transferred to Puget Sound Power and Light Company for the consideration of one-dollar (\$1.00) plus the removal at Puget Sound Power and Light Company's expense, of all transformers, switches and other equipment located in the Milwaukee Road's substation buildings and not required by the Milwaukee Road in its railroad operations. Equipment requirements for operation of the railroad's signal and communication systems must be dealt with.

A look at costs associated with disposing of the system is of interest. We have prepared an estimate of the cost of dismantling the existing transmission line (exclusive of switches and substations) and find this to be on the order of \$751,066. Our estimate of salvage value totals \$416,865, leaving out-of-pocket costs of \$334,201.

It is interesting to note what Puget Sound Power and Light Company stands to save under this proposal. That is, if the Milwaukee Road were to remove the line now and Puget Sound were to replace same at an estimated cost of \$12,741,940 the annual costs to Puget Sound would be as follows:

Transmission Line and Equipment

Replacement Cost New (Sch.)	\$12,741,940	
<u>Annual Charges:</u>		
Return on Investment (at 10% = 7.6% level)	1,013,987	
Depreciation (37 year life)	<u>344,377</u>	
Subtotal	\$ 1,358,364	
Land Use, Air Rights and Access over RR Property	\$ <u>115,000*</u>	
Sum of Annual Charges	\$ 1,473,364	2,404,000
Equivalent Monthly Charge	122,780	

Note: * Based on \$600,000 land value with 10% return plus applicable FIT.

It should be stipulated that the charges, whatever they may be will be subject to upward adjustment each year to compensate for inflation and appreciation of land values.

It is further suggested that a compromise might be struck whereby both parties share in the difference of \$49,000. In other words, as long as Puget Sound uses the existing facilities the monthly charge would be \$80,000 plus \$24,500 or \$104,500. Upon replacement of the facilities by Puget Sound the monthly charge would fall back to the \$80,000 amount representing the charge for Land Use and Air Rights including access to its facilities over the Railroad's tracks.

THE MILWAUKEE ROAD
 COST OF POWER TRANSMISSION LINE
 (Exclusive of Substations and Land)
 ORIGINAL COST TRENDED TO JULY 1975 COSTS (1)

	Original Cost 1918					Index(2) Number	Trended Original Costs July 1975					Total Cost/Mile		
	Cle Elum-Cedar Falls		Taunton - Cle Elum		Total		Cle Elum-Cedar Falls		Taunton - Cle Elum		Total	1918	1975	
	Total	Cost/Mil.	Total	Cost/Mil.			Total	Total	Cost/Mil.	Total				Cost/Mil.
Power Transmission Line														
Labor														
FPC-355(3) FPC-355(4)	Poles and Fixtures	33,794.00	680.78	46,689.62	530.56	80,483.62	1,448.4	489,472.30	9,860.42	676,252.46	7,684.63	1,165,724.75	554.74	5,449.37
	Wire & conductors	24,570.89	494.62	22,073.19	250.83	46,644.07	529.6	130,127.38	2,619.50	116,499.61	1,328.40	247,026.99	338.88	1,700.73
	Total Labor	58,364.88	1175.76	68,762.81	781.39	127,127.69		619,599.68	12,489.92	793,152.07	9,013.03	1,412,751.74	923.62	7,150.11
FPC-355														
Poles and Fixtures														
	Poles and Braces	12,198.86	245.75	17,703.15	201.17	29,902.01	1,448.4	176,588.29	3,559.15	256,412.42	2,913.78	433,100.71	217.25	3,144.62
	Cross Arms with Hardware	4,779.80	96.29	8,076.27	91.78	12,856.07	1,448.4	64,230.62	1,394.66	116,976.69	1,329.34	186,207.32	93.40	1,382.86
	Days and Hardware	4,725.41	95.19	6,263.32	71.18	10,988.73	1,448.4	63,442.84	1,378.73	90,717.93	1,030.97	159,160.77	79.85	1,151.38
	Total Poles & Fixtures	21,704.07	437.23	32,042.74	364.12	53,746.81		314,361.75	6,332.84	464,107.04	5,273.94	778,468.80	390.49	5,678.84
FPC-355														
Wire, Insulators, Attach.														
	Conductors	86,855.79	1,749.71	153,973.47	1,749.70	240,829.26	529.6	459,988.26	9,266.46	815,443.50	9,266.41	1,275,431.76	1,749.70	3,200.83
	Splices	134.40		236.80		371.20	529.6	711.78		1,254.09		1,965.88	2.70	11.18
	Groundwire & Attachments	8,121.67	163.63	14,395.67	163.59	22,517.34	529.6	42,012.36	866.58	76,239.47	866.37	119,251.83	163.60	600.40
	Insulators & Attachments	28,978.63	583.78	50,460.33	573.41	79,438.96	529.6	152,470.82	3,091.70	267,237.91	3,036.78	429,703.73	577.15	3,057.59
	Total Wire, Insul. & Att.	124,090.49	2,499.81	219,066.27	2,489.39	343,156.78		657,133.23	13,238.99	1,160,174.97	13,183.51	1,617,388.20	2,473.15	4,870.71
	Grand Totals	204,159.44	4,112.80	319,871.82	3,634.91	524,031.26		1,591,144.66	32,053.68	2,417,434.08	27,470.84	4,008,578.74	3,807.26	29,128.84

(1) Based on Handy-Whitman Index of Public Utility Construction Costs.

(2) 1918 = 100

(3) Handy Whitman, Table 13, Line 32

(4) Handy Whitman, Table 18, Line 32

3/26 75
 D.F.T./B.A.C.

THE MILWAUKEE ROAD
 COST OF SUBSTATIONS AND EQUIPMENT
 ORIGINAL COSTS TRENDED TO JULY 1975 (1)

Units	Substation Equipment (2)	Original Costs(4)		Index (3)	Trended Costs July 1975	
		Unit	Total		Unit	Total
6	Buildings (1918)	\$57,000	\$342,000	767.3	\$437,361	\$2,624,166
4	Controlled OCB's (1944)	17,175	68,700	425.4	73,062	292,250
8	Manual OCB's (1918)	14,000	112,000	593.8	83,132	665,056
9	Steel Dead End Towers (1943)	666.67	6,000	407.1	2,714	24,426
	Transformers (1922)					
11	2500 kV	13,000	143,000	537.7	69,901	768,911
6	25-50 kV	150	1,200	537.7	538	3,226
1	3500 kV (1956)	29,800			807	6,452
	Less Salvage	(3,000)	26,800	192.6	51,617	51,617
	Switches (1918)					
7	Air Blade	1,400	19,800	593.8	8,313	58,192
13	Grounded Blade	566	8,490	593.8	3,361	50,414
6	Fuses - 115 kV to 110 V (1918)	31,000	186,000	593.8	184,078	1,104,468
23	Relays for OCB's (1943)	608.70	14,000	407.1	2,478	56,994
	Lightning Arresters (1943)					
5	3/100,000 V (1943)	4,000	20,000	407.1	16,284	81,420
4	3/100,000 V (1938)	2,430	9,720	419.1	10,184	40,737
3	3/100,000 V (1918)	1,715	5,145	593.8	10,184	30,551
6	Tracks, Plates and Pits (1918)	1,800	10,800	593.8	10,688	64,130
	Insulators					
60	D.E. Towers (1943)	20.00	1,200	407.1	81	4,885
200	Others (1918)	15.00	3,000	593.8	89	17,814
	SUBTOTAL		\$968,525			\$5,918,057
	Additional Items 10%		96,853			591,806
	Engineering & Admin. Mgt. 10%		106,538			650,986
	TOTAL SUBSTATION EQUIPMENT		\$1,171,916			\$7,160,849

- (1) Based on Handy Whitman Index of Public Utility Construction Costs.
- (2) All accounts, except building construction, are based on Handy Whitman Index Table 18, Line 30 which is FPC Acct. 353 station Equipment; building costs are from Table 16, Line 2 - Brick Buildings.
- (3) Index value for year of installation is made equal to 100 for purposes of trending.
- (4) All original costs including labor are total installed costs.

THE MILWAUKEE ROAD
SUMMARY OF TRENDED ORIGINAL COST AND REPLACEMENT COSTS
ELECTRIC POWER TRANSMISSION LINE

	Original Cost (1918)	Original Trended to 1975 (a)	Replacement Cost-New 1975 Yr. End	Replacement Cost-New 1975 Yr. End
<u>Land Value</u>	-	\$ 600,000(b)	\$ 600,000	\$ 600,000
<u>Line Construction & Other Costs</u>				
Labor:				
Poles and Fixtures	\$ 80,484	\$ 1,165,725	\$ 1,300,230	\$ 1,210,426
Wire and Conductors	46,644	247,027	989,899	989,899
Total Labor	\$ 127,128	\$ 1,412,752	\$ 2,290,129	\$ 2,200,325
Materials:				
Poles and Fixtures:				
Poles and Braces	29,902	433,100	828,403	826,962
Cross Arms w/Hardware	12,856	186,207	1,384,044	-
Guys and Hardware	10,989	159,161	37,950	37,950
Total Poles and Fixtures	\$ 53,747	\$ 778,469	\$ 2,240,397	\$ 864,912
Wire, Insulators & Attachments:				
Conductors	\$ 240,829	\$ 1,275,431	\$ 630,821	\$ 630,821
Splices	371	1,966	5,208	5,208
Groundwire and Attachments	22,517	119,252	389,273	389,273
Insulators and Attachments	79,439	420,709	299,787	1,555,016
Total Wire, Insulators and Attachments	\$ 343,156	\$ 1,817,358	\$ 1,324,089	\$ 2,680,318
Total Construction and Other Costs	\$ 524,031	\$ 4,008,579	\$ 5,865,615	\$ 5,745,555
<u>Substations & Switches</u>				
All Items Installed	\$1,171,916	\$ 7,160,849	\$ 6,876,325	\$ 6,876,325
GRAND TOTAL COST	-	<u>\$11,769,428</u>	<u>\$13,341,940</u>	<u>\$13,221,880</u>

- Notes: (a) Based on Handy-Whitman Index of Constr. costs; Values shown are as of July 1, 1976
(b) Land value based on in-house appraisal and represents only value of land occupied by the transmission line on and off of railroad right-of-way.
(c) Replacement cost-new developed by Chas. T. Main, Inc., and contemplates use of cross-arms and suspended disc insulators.
(d) Replacement cost-new developed by Chas. T. Main, Inc., and contemplates use of horizontal stand-off insulators.

THE MILWAUKEE ROAD

COMPARISON OF
POWER TRANSMISSION LINE COSTS ON FOUR ELECTRIC UTILITY SYSTEMS

	FPC Form #1 Ref.	W.W.P. Company 12-31-74(a)	P.S.P. & L. Company 12-31-74(b)	V.E. & P. Company 12-31-74(c)	U.P. & L. Company 12-31-74(d)
<u>ELECTRIC POWER TRANSMISSION LINES:</u>					
<u>LAND:</u>					
Cost of Land	p. 443	\$ 817,918	\$2,648,340	\$21,496,691	\$1,505,481
Length of Line - Miles	p. 442	760	943	2,919	1,768
Land Cost/Mile		\$1,076	\$2,808	\$7,364	\$852
<u>LINE CONSTRUCTION AND OTHER COSTS:</u>					
Labor & Materials	p. 443	\$7,025,451	\$29,717,566	\$88,100,539	\$23,774,485
Length of Line - Miles	p. 442	760	943	2,919	1,768
Constr. Cost/Mile		\$9,244	\$31,514	\$30,182	\$13,447
<u>SUBSTATION EQUIPMENT*:</u>					
110-115 kV Component-Est.		\$4,846,122	\$25,128,873	\$55,276,148	\$17,136,495
As percent of Line Constr. (1.9)		69.0%	84.6%	62.7%	72.1%
Length of Line - Miles		760	943	2,919	1,768
SS Equipment Cost/Mile		\$6,376	\$26,648	\$18,937	\$9,693
<u>GRAND TOTALS</u>					
All Costs		\$12,689,491	\$57,494,779	\$164,873,378	\$42,416,461
Length of Line - Miles		760	943	2,919	1,768
Cost/Mile		\$16,697	\$60,970	\$56,483	\$23,991
<u>NOTES:</u>					
<u>*ESTIMATE OF STATION EQUIPMENT RELATED TO 110-115 kV LINES</u>					
All Lines	p. 443	\$14,524,770	\$51,328,742	\$276,316,926	\$108,406,136
110-115 kV Component	p. 443	7,843,369	32,365,906	109,597,230	25,279,966(d)
110-115 kV as % of All		54.00%	63.06%	39.66%	23.32%
Station Equipt. (353)	p. 402	\$8,974,300	\$39,849,149	\$139,375,061	\$73,484,115
110-115 kV Component - Est.		\$4,846,122	\$25,128,873	\$55,276,148	\$17,136,495

(a) The Washington Water Power Company (State of Washington only)
 (b) Puget Sound Power and Light Company
 (c) Virginia Electric and Power Company
 (d) Utah Power and Light Company and its subsidiaries - 60% owned by the U.S. Govt.

The Milwaukee Road
 Estimate of Cost to Install New 115 kV Wood Pole Transmission Line

(1)

MAIN
 Engineers

BOSTON · CHARLOTTE · DENVER · PORTLAND

137.2 miles - 266,800 CM ACSR

PAGE NO. 1

DATE:

BY

1. Summary

DESCRIPTION OF ITEMS	UNIT	QUANTITY	PRICE	MATERIALS	PRICE	LABOR	TOTAL
1. Summary							
2. Labor - Poles, arms, etc.						\$1,300,230	\$1,300,230
2a. Materials - Poles, arms, insulators				2,555,392			2,555,392
3. Labor and Materials - Conductors Insulators				1,020,094		989,899	2,009,993
4. Right of Way Survey							68,000
5. Clearing Right of Way				Insufficient Information			
Subtotal							\$5,933,613
Plus Contingencies 15%							890,042
Subtotal with Contingencies							\$6,823,657
Plus Engineering & Construction Mgt. 8%							545,893
Plus Administration 2%							136,473
Subtotal							\$7,506,023
Plus interest during construction 9.121% - 2 years							684,624
GRAND TOTAL							\$8,190,647
= 59,699 per mile							

(1) Contemplates use of cross-arms and
 suspended disc insulators.

2. Poles, Arms, etc.

DATE:

Labor

BY

DESCRIPTION OF ITEMS	UNIT	QUANTITY	PRICE	MATERIALS	PRICE	LABOR	TOTAL
Poles - Labor	50'	8			148	\$ 1,184	
	55	143			178	25,454	
	60	1061			234	248,274	
	65	630			267	168,210	
	70	438			297	130,086	
	75	183			313	57,279	
	80	93			330	30,690	
	85	33			345	11,385	
	90	7			360	2,520	
	95	5			375	1,875	
	100	3			390	1,170	
		Subtotal Poles				\$ 678,127	\$ 678,127
Arms - Labor	arm	7809			24	187,416	
Insulators	ins.	7809			16	124,944	
Stencil Poles	stencil	2603			16	41,648	
Blasting 3' on 500 Poles	blast	500			72	36,000	
Install Concrete 500 Poles	conc.	500			31	15,500	
Swamp - Extra depth 500 Poles		500			31	15,500	
Guys and anchors	G&A	500			63	31,500	
		Subtotal Arms, Insulators, etc.				\$452,508	\$ 452,508
		Subtotal					\$1,130,635
Plus - labor; bolts, nuts, braces clamps, etc. 15%							169,599
		TOTAL LABOR					\$1,300,234

2A. Poles, Arms, Insulators

DATE:

Materials

BY:

DESCRIPTION OF ITEMS				UNIT	QUANTITY	PRICE	MATERIALS	PRICE	LABOR	TOTAL
Materials -										
Poles - Douglas fir - Class 2 - Pente										
<u>Pole Hgt. ft.</u>	<u>Cost \$</u>	<u>x</u>	<u>No. of Poles</u>							
50	129		8	P	8		\$ 1,032			
55	187		143	P	143		26,741			
60	216		1061	P	1061		229,176			
65	287		630	P	630		180,810			
70	317		438	P	438		138,846			
75	368		183	P	183		67,344			
80	420		93	P	93		39,060			
85	468		33	P	33		15,444			
90	515		7	P	7		3,605			
95	566		5	P	55		2,830			
100	610		3	P	3		1,830			
					2604					
Subtotal							\$706,718			
Plus										
Davit type arms 6' @ 3 for \$500					3	2604	1,302,000			
F.O.B. Seattle										
Freight - Milwaukee R.R.							82,044			
Insulators 6 Discs						6000	37	222,000		
7 Discs						1809	43	77,787		
Stencils						2604	2	5,208		
Guys 1500						1500	15.30	22,950		
Anchors						500	30	15,000		
Subtotal							\$ 2,433,707			
Plus										
Bolts, Nuts, Braces, Clamps, etc. 5%								121,685		
TOTAL MATERIALS							\$ 2,555,392			\$ 2,555,392

3. Conductors and Lightning Arresters

PAGE NO. 3

DATE:

BY

DESCRIPTION OF ITEMS	UNIT	QUANTITY	PRICE	MATERIALS	PRICE	LABOR	TOTAL
Labor							
Groundwire 961,155'	1000'	961,155			315	\$ 302,764	
Conductor							
137.2 x 5280' x 3 = 2,173,248'	1000'	2,173			315	\$ 684,495	
Labor LA's - 60 LA's	LA	60			44	2,640	
TOTAL LABOR						\$ 989,899	
Cost of Conductor Materials							
Copperweld groundwire 961,155'		961,155	.336	\$ 322,948			
ACSR Partridge 2,173,248'	lbs	798,216	.736	587,487			
60 - Lightning Arresters	LA	60	90	5,400			
Subtotal				\$ 915,835			
Plus 2% Stack and Ties				18,317			
Subtotal				\$ 934,152			
+ 5% Incidental Items				46,708			
Subtotal				\$ 980,860			
+ 2% Outside Freight				19,617			
+ 2% R.R. Freight				19,617			
TOTAL LABOR AND CONDUCTOR MATERIAL				\$1,020,094		\$989,899	\$ 2,009,993

Estimate of Cost to Install New 115 kV Wood Pole Transmission Line

137.2 miles - 266,800 CM ACSR

PAGE NO. 1

DATE:

BY:

1. Summary

DESCRIPTION OF ITEMS	UNIT	QUANTITY	PRICE	MATERIALS	PRICE	LABOR	TOTAL
1. Summary							
2. Labor - Poles, Insulators, Etc.						\$1,210,426	\$1,210,426
2a. Materials - Poles & Insulators				\$2,525,136			2,525,136
3. Labor & Materials, Conductors, wire				1,020,094		989,899	2,009,993
4. Right of Way Survey							68,000
5. Clearing Right of Way				Insufficient Information			
Sub-total							\$5,813,555
plus Contingencies 15%							872,033
Sub-total with Contingencies							\$6,685,588
Plus Engineering & Construction Mgt. 8%							534,847
Plus Administration 2%							133,711
Sub-total							\$7,354,146
Plus interest during construction							
121% - 2 years							670,770
GRAND TOTAL							\$8,024,916

= 58,490 per mile

) Contemplates use of horizontal standoff insulators

2. poles, Insulators, etc.

PAGE NO. 2

DATE:

Labor

BY

DESCRIPTION OF ITEMS

UNIT

QUANTITY

PRICE

MATERIALS

PRICE

LABOR

TOTAL

Poles - Labor

50

8

148

\$ 1,184

55

143

178

25,454

60

1,061

234

248,274

65

630

267

168,210

70

438

297

130,086

75

183

313

57,279

80

93

330

30,690

85

33

345

11,385

90

7

360

2,520

95

5

375

1,875

100

3

390

1,170

Sub-total Poles

\$678,127

\$678,127

Stand off Insulators

Insulators - Tangent

Ins

6,000

30

180,000

Insulators - Dead End

Ins

1,809

30

54,270

Stencil Poles

Stencil

2,603

16

41,648

Blasting 3' on 500 poles

Blast

500

72

36,000

Install Concrete 500 Poles

conc

500

31

15,500

Swamp - Extra Depth 500 Poles

500

31

15,500

Guys and Anchors

G & A

500

63

31,500

Subtotal Arms, Insulators, etc.

\$374,418

\$374,418

Subtotal

\$1,052,54

Plus, Labor, bolts, nuts, braces, clamps, etc.

15%

\$ 157,88

TOTAL LABOR

\$ 1,210,42

2A Poles Arms Insulators

PAGE NO. 2A

DATE:

Materials

BY

DESCRIPTION OF ITEMS				UNIT	QUANTITY	PRICE	MATERIALS	PRICE	LABOR	TOTAL
Materials -										
Poles - Douglas Fir - Class 2 - Penta										
Poles Hgt. Ft.	Costs	X	# of Poles							
50	129		8	P	8		\$ 1,032			
55	187		143	P	143		26,741			
60	216		1061	P	1061		229,176			
65	287		630	P	630		180,810			
70	317		438	P	438		138,846			
75	368		183	P	183		67,344			
80	420		93	P	93		39,060			
85	468		33	P	33		15,444			
90	515		7	P	7		3,605			
95	566		5	P	5		2,830			
100	610		3	P	3		1,830			
			2604							
			Subtotal				\$706,718			
Plus										
Poles										
F. O. B. Seattle										
Freight - Milwaukee R. R.										
							\$ 82,044			
Insulators - Tangent					6000	202	1,212,000			
Insulators - Dead End					1809	157	284,013			
Stencils					2604	2	5,208			
Guys 1500					1500	15.30	22,950			
Anchors					500	30	15,000			
Freight Insulators, Stencils, Guys							\$ 76,959			
Anchors, 5%										
			Subtotal				\$2,404,892			
Plus										
Bolts, nuts, braces, clamps, etc. 5%							\$ 120,244			
TOTAL MATERIALS							\$2,525,136			\$ 2,525,136

3. Conductors and lightning arresters

PAGE NO. 3

DATE:

BY:

DESCRIPTION OF ITEMS	UNIT	QUANTITY	PRICE	MATERIALS	PRICE	LABOR	TOTAL
Labor							
Groundwire 961,155'	1000'	961.155			315	\$302,764	
Conductor							
137.2 x 5280' x 3 = 2,173,248'	1000'	2,173			315	684,495	
Labor LA's - 60 LA's	LA	60			44	2,640	
TOTAL LABOR						\$989,899	
Cost of Conductor Materials							
Copperweld groundwire 961,155'		961,155	.336	\$322,948			
ACSR Partridge 2,173,248'	lbs	798,215	.736	587,487			
60 Lightning Arresters	LA	60	90	5,400			
Subtotal				\$915,835			
+ 2% Stack & Ties				18,317			
Subtotal				\$934,152			
+ 5% Incidental Items				46,708			
Subtotal				\$980,860			
+ 2% Outside Freight				19,617			
+ 2% R. R. Freight				19,617			
TOTAL LABOR AND CONDUCTOR MAT'L.				\$1,020,094	\$989,899	\$2,009,993	

Labor to Remove 137.2 miles of Transmission Line

PAGE NO. 2

DATE:

BY:

DESCRIPTION OF ITEMS				UNIT	QUANTITY	PRICE	MATERIALS	PRICE	LABOR	TOTAL
A. Removal of Poles										
Hgt.	Number	x	Cost							
40	8		\$ 46						\$ 368	
45	143		46						6,578	
50	1061		62						65,782	
56	630		62						39,060	
60	438		73						31,974	
65	183		86						15,738	
70	93		100						9,300	
75	33		100						3,300	
80	15		100						1,500	
Total Labor on Poles									\$ 173,600	\$173,600

B. Removal of Arms, Insulators, Guys, etc.										
<u>Arms</u>										
2000 x 2 = 4000 @ \$7 each					4,000			\$ 7.00	\$ 28,000	
385 x 4 = 1540 double arms					1,540			7.00	10,780	
100 x 2 x 4 = 800 double pole and arms					800			7.00	5,600	
<u>Ridge Pins</u>										
2485 @ \$4 each					2,485			4.00	9,940	
<u>Braces between arms</u>										
385 x 4 = 1540 @ \$7 each					1,540			7.00	10,780	
<u>Insulator Strings</u>										
2485 x 3 = 7455 @ \$6 each					7,455			6.00	44,730	
<u>Guys</u>										
1500 @ \$20 each					1,500			20.00	30,000	
Total Labor on Arms and Etc.									\$ 139,830	\$139,830

Salvage from Transmission Line

PAGE NO. 4

DATE:

BY:

DESCRIPTION OF ITEMS	UNIT	QUANTITY	PRICE	MATERIALS	PRICE	LABOR	TOTAL
A. Poles - No Salvage							
B. 2% Copper Conductors							
= 133,079 x .003027 = 403 lbs/1000'							
2,173.248 x 403 lbs = 875,819 lbs.							
875,819 lbs. of Cu @ \$.42/lb.	lb.	875819	.42	\$367,844			
C. Steel Ground Wire							
961,000' x 100 lbs./1000' = 96100 lbs.							
5,100 lbs. @ \$.025/lb.	lb.	96100	.025	2,403			
D. Steel from Poles							
10 lbs/pole x 2485 poles = 24850 lbs.							
24850 lbs. @ \$.025/lb.	lb.	24850	.025	621			
Insulators							
6 Discs - 6000 = 36,000 Discs.							
7 Discs - 1809 x 2 = 25329 Discs							
Number of Discs = 61329							
Assume 75% are usable = 45,997							
45,997 @ \$1.00 each.	DC	45997	1.00	\$ 45,997			
(1) TOTAL SALVAGE VALUE				\$416,865			\$416,865

1) Note: Switches and disconnects not included. They are included in Substation Salvage.

DESCRIPTION OF ITEMS							UNIT	QUANTITY	PRICE	MATERIALS	PRICE	LABOR	TOTAL
1 original cost of substations - 6 Bldgs													PAGE NO. 1
													DATE
													BY
1. Summary													
2. Buildings													342,000
3. Switching Devices													212,990
4. Transformers													171,000
5. Miscellaneous Items													242,530
										Sub Total		968,525	
Plus Small Items not recorded: 10%													96,853
										Sub Total		1,065,378	
Plus Engineering and Construction Mgt 8%													85,230
Plus Administration 2%													21,308
										Grand Total		1,171,916	

3. Switching Devices

PAGE NO. 72

DATE

BY

DESCRIPTION OF ITEMS

UNIT

QUANTITY

PRICE

MATERIALS

PRICE

LABOR

TOTAL

OCB's Automatic Controlled - 3φ

3 @ \$18,233 each including
Labor installed in 1944

54,700

1 @ \$14,000 including Labor
Installed in 1947

14,000

OCB's manual operated - 3φ

8 @ 14,000 each including Labor
Installed in 1918

112,000

Open Blade Switches 3φ
manual operated7 @ \$1,400 including Labor
Installed in 1918

9,800

Ground Switches manual operated
3φ including Labor15 @ \$566 including Labor
Installed in 1918

8,490

Relays

23 Relay including Labor
Installed in 1943

14,000

Total

212,990

Transformers

PAGE NO. 4

DATE

BY

DESCRIPTION OF ITEMS

UNIT

QUANTITY

PRICE

MATERIALS

PRICE

LABOR

TOTAL

Transformers 115KV

CLEULEM Sta, 1 transformer

115/11KV @ 29,800 - 3000 =

26800

3000 is for salvage of original transformers. This work was in 1956. Labor is included.

2 transformers were installed each of 4 substations and 3 transformers in 1-substation between 1918-1922.

Total of 11 transformers 102KV including labor cost 2.31KV at 13000 each

11 transformers @ 13000

143000

Transformers 2.3KV or 11KV 120/250KV x 150 including labor

1200

Total

171000

5, Miscellaneous Items

PAGE NO. 5

DATE:

BY:

DESCRIPTION OF ITEMS

UNIT

QUANTITY

PRICE

MATERIALS

PRICE

LABOR

TOTAL

Dead End Towers10 at \$667 including Labor
Installed in 1943

6670

Lightning Arresters5 sets of 3 LA's 100,000V with
Labor, installed in 1943

20,000

4 sets of 3 LA's 100,000V with
Labor, installed in 1938
at \$2,430 each set

9,720

3 Sets of 3 LA's 100,000V with
Labor installed 1918

$$3 \times \left(2430 \times \frac{48}{70} \right) = 3 \times 2430 \times \frac{48}{68} =$$

5,145

Cables & Bus CutsMaterial and Labor per station
= \$3,000 installed in 1918
\$3,000 x 6

186,000

Tracks, Plates and PitsMaterial and Labor per station
= \$1,800 installed in 1918
6 x 1800

10,800

Insulators at DE Towers10 towers x 6 insulators
at \$2,000 x 60 incl. Labor 1943

1200

Insulators not included
Elsewhere = 1918

200 x \$15 incl. Labor

3000

Total

242,535

Replacement Cost which includes modern out-door construction of Substations, transformer angles and

PAGE NO. 1

DATE

BY

DESCRIPTION OF ITEMS

UNIT

QUANTITY

PRICE

MATERIALS

PRICE

LABOR

TOTAL

Summary

CIE ULEM

892,000

3 (a) Hyak

883,000

(b) Taunton

883,000

(c) Cedar Falls

883,000

(d) Kittitas

883,000

4 Doris

563,000

Sub Total

4,987,000

Plus Contingencies 15%

748,050

Sub Total

5,735,050

Plus Engineering & Construction Mgt 8%

458,804

Plus Administration 2%

114,700

Sub Total

6,308,554

Interest during Construction
2 years at 9% = 9%

567,770

Grand Total

6,876,324

This estimate includes 115/11 KV Transformers 7MVA or 5MVA, Labor, Grounding, Fences, Yards, relaying, carrier current control system and low voltage station service

New contract
off. 5/1/76
Monthly lease
+ accrued interest
@ 15%

- (1) Maintenance - Improvements RR
- (2) liability - Property & Personal.
- (3) Access - rail & roads:
- (4) Top - use of Facility for non
Property rail use.

G. A. Kellow

April 15, 1976

Refer to: S - Wash - General
Puget Sound Power & Light Company
Transmission Line

Mr. D. H. Knight
Vice President
Puget Sound Power & Light Company
Puget Power Building
Bellevue, Washington 98009

Dear Dave:

On September 6, 1973, several representatives of the Milwaukee Road and I met with you and representatives of your company in your offices at Bellevue, Washington at which time we advised you of our intent to discontinue electrification of our rail operations from Othello, Washington to Tacoma. We called attention to the 1929 agreement between the Milwaukee Road and Washington Water Power Company or its predecessors for providing electric power to the Milwaukee Road for use in our electrified rail operations. We indicated that this agreement would expire in May, 1976 and that formal action would be taken to notify Washington Water Power of our intent to terminate. Puget, under an agreement with WWP, has been the major supplier of power to the Milwaukee Road under the 1929 contract. Formal notice of termination has been delivered to Washington Water Power.

On numerous occasions since September 1973, you and I together with representatives of our respective companies have met to discuss the Milwaukee's desire to make arrangements for the disposition of the electric transmission line (100 KV) from Taunton, Washington to Cedar Falls, Washington. A specific cash sale price has been quoted to your company but no response has been received from your company concerning that dollar offer. Consideration has been given to the development of sale agreements and easement agreements by which your company could continue the location and operation of the line after May 1, 1976.

During the time that we have been discussing the possible sale and continued use of this line on our right of way, other development opportunities have been presented to the Milwaukee for use of its right of way which opportunities preclude further consideration for the sale of the transmission line at this time. This information was given to you and other representatives of your company at our last meeting in your offices on February 11, 1976.

We are agreeable to working out an interim agreement for a term of two years during which we hope to resolve our other development opportunities and during which time we hope to be able to negotiate further with your company to develop a longer term agreement by which your company can continue to meet your commitments to serve your customers by use of this 137-mile 100 KV transmission line with ownership of that line remaining in the Milwaukee Road. The proposed agreement is to be effective May 1, 1976 for a term of two years. This letter is to serve as official notification to Puget Sound Power & Light Company that an additional six-months time is hereby provided from May 1, 1976 to November 1, 1976 during which we will try to resolve any differences which we have in the form of agreement and consideration, therefore, and to provide for execution of such agreement with the specific understanding that the monthly fee for the right to use the facilities and land is to be retroactive to May 1, 1976 with a penalty interest of 10% per annum for all payments not made on or before the first of the month beginning with May 1, 1976. If an agreement is not reached and consummated by November 1, 1976, it is the intention of the Milwaukee Road to sever its connections with this transmission line and to make other disposition of that facility.

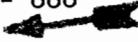
In early March, 1976, the Milwaukee Road employed Charles T. Main, Inc., well known consulting engineers in the electric transmission field, to assist us in analyzing this transmission line and in establishing an appropriate and equitable user fee. The proposed interim agreement reflects the results of a preliminary report from Charles T. Main resulting from a review of Railroad records and an on-the-ground inspection. This is not an arbitrary document for user's fee selected at random but reflects considerable study by recognized experts.

I anticipate that you and other officers of your company will wish to review this letter and the attached suggested form of interim agreement and reply to it in order to develop mutually acceptable documents.

Sincerely,

(SIGNED) E. J. STOLL

EJS/ns

bc: Messrs. W. L. Smith - 866
W. H. Ploeger - Seattle
R. K. Merrill - 888
G. A. Kellow - 
B. J. Worley - 898
G. R. Frazier - Tacoma
J. F. Simpson - Seattle
P. W. Scott - Seattle



INTERIM AGREEMENT

THIS INTERIM AGREEMENT, made this _____ day of _____, 1976, by and between CHICAGO, MILWAUKEE, ST. PAUL AND PACIFIC RAILROAD COMPANY, a Wisconsin corporation, of 516 West Jackson Boulevard, Chicago, Illinois 60606, hereinafter referred to as the "RAILROAD", and PUGET SOUND POWER AND LIGHT COMPANY, a Washington corporation, of Puget Power Building, Bellevue, Washington 98009, hereinafter referred to as the "USER".

W I T N E S S E T H:

WHEREAS, the RAILROAD has a certain electric transmission line of approximately 115 KV located in the State of Washington; and

WHEREAS, said electric transmission line, totals approximately 137 miles in length; and

WHEREAS, the RAILROAD hereby grants the USER the right of access over its right of way and track for purposes of operation, maintenance, repair and replacement of said electric transmission line and its ancillary facilities as now located;

NOW, THEREFORE, the RAILROAD does hereby grant to the USER the right and privilege to operate, maintain, repair and replace said electric transmission line, together with supporting structures, anchors, guys and other associated ancillary facilities ("Lines") as described in attached Exhibit "A".

This right is granted subject to the following terms and conditions:

1. The duration of this Interim Agreement shall be for a term of 24 months commencing May 1, 1976. subject to termination as hereinafter provided.

2. The USER shall pay to the RAILROAD the sum of \$80,000.00 on the first day of each month of this Interim Agreement with the first payment due and payable on May 1, 1976.

3. (a) The cost of maintenance of said electric transmission line and all other work thereon shall be paid and borne by the USER and the USER shall promptly reimburse the RAILROAD for the cost and expense to the RAILROAD of supplies and equipment rental furnished and any work or supervision done in connection therewith pursuant to paragraph 8 hereof.

(b) Cost as used in this Agreement shall mean all assignable costs,

plus 10% on all labor items to cover elements of expense not capable of exact ascertainment, and shall include charges for transportation of men and material at tariff rates and store expense on material.

4. The parties hereto shall not permit any lien or liens of any kind whatsoever to attach to the other's property for or on account of their operations, and the parties shall save harmless one another and their respective properties from and against any and all such liens.

5. (a) Each party assumes all risk of loss of or damage to its property and of injury to or death of its employees, agents, servants, contractors, or subcontractors and loss of or damage to its property, howsoever caused, and will indemnify and hold harmless the other party from all claims or loss resulting therefrom, occurring on or adjacent to the RAILROAD's premises.

(b) Each party shall be responsible for claims or loss arising from injury to or death of third persons, or loss of or damage to the property of third persons, occurring in or adjacent to the RAILROAD's premises resulting from the sole negligence of said party. If such injury, death, loss or damage to third persons results from the joint negligence of both parties hereto, each party shall be responsible for one-half of the loss sustained by said third persons.

6. The USER shall require its subcontractor who or which perform services for the USER on the RAILROAD's premises to protect the RAILROAD and any other railroad company using the RAILROAD's tracks, with a standard form Railroad Protective Liability Insurance policy naming the RAILROAD a co-insured party thereunder with coverage in accordance with the United States Department of Transportation, Federal Highway Administration Policy and Procedure Memorandum 20-12, issued June 30, 1967, with revisions of July 13, 1967, and September 29, 1967. The limits of said policy shall be not less than that indicated below:

Bodily Injury	\$ 500,000 each person \$ 1,000,000 each accident
Property Damage	\$ 500,000 each occurrence \$ 1,000,000 per policy period

In the alternative, the USER may agree to hold harmless and indemnify the RAILROAD against all loss of or damage to persons or property and any resulting claims or liabilities therefor which the RAILROAD may incur on account

of the actions of the USER's contractors or subcontractors working on the RAILROAD's premises.

7. A joint engineering force, appointed by the parties hereto, shall, within a reasonable time following the execution of this contract, agree on test procedures, and thereafter shall measure and record the levels of inductive interference present in the RAILROAD's signal and communication facilities as a result of operation of the subject transmission line. Such measurements shall be made as soon as practicable and shall be concluded within six months after the date of this Agreement. The recorded measurements will constitute an "interference base level". If greater interference levels are experienced in the future, for any reason attributable to the USER's operation of the line, the USER shall assume the cost of reducing the interference level to said "interference base level".

8. (a) (1) The RAILROAD will provide to the USER, insofar as it is available, equipment capable of operating on the railroad track, together with authorized RAILROAD personnel to operate such equipment to provide access to portions of the line accessible only by rail.

(a) (2) The USER may elect to purchase its own high rail equipment. Such equipment must be approved by the RAILROAD's Chief Engineer. The RAILROAD will furnish qualified operating personnel and flagging service at cost to the USER when such equipment is used.

(b) (1) The USER, in the situations hereafter expressed, shall, prior to dispatching its employees, or those of subcontractors, to work on the line where located on the RAILROAD's premises, notify, by the most practical means, the RAILROAD's local superintendent of the plan of the work to be performed on the premises, the number of men probably involved; the time, location, nature and the probable duration of the work so as to allow the RAILROAD to allocate necessary equipment in the event the RAILROAD is requested to furnish equipment. Such notice shall be given as far in advance as possible.

(b) (2) The situations in which notice is required are those situations in which the USER enters the RAILROAD's premises for the purpose of

renewing, repairing or replacing the line. All work done in connection with the maintenance, repair or replacement shall be performed in a careful and workmanlike manner, and shall be in conformity with all applicable laws, rules and regulations, federal, state or municipal, and the specifications, rules and regulations contained in the latest edition of the National Electrical Safety Code of the American National Standards Institute. The USER shall not do anything upon the premises of the RAILROAD which will in any way interfere with any facilities or improvements now or hereafter constructed, installed or maintained by the RAILROAD, or which will in any way obstruct, interfere with or endanger RAILROAD operation. The USER agrees to strictly conform to all reasonable directions and requirements of the RAILROAD's superintendent or representatives in the performance of any work which may interfere with the RAILROAD's operations. The USER shall take all necessary precautions to prevent leakage of electricity from said wires (through the earth or other conductor or by induction or otherwise) from damaging or interfering with the use or operation of the signals, telegraph or telephone or other wires or pipes or other property on or near the RAILROAD's premises. If a pipeline should be located on the RAILROAD's right of way at a future date, the USER will take all necessary precautions to protect said pipeline.

(c) The RAILROAD shall, prior to dispatching its employees or those of its subcontractors to perform work on the RAILROAD's equipment now or hereafter mounted on or directly connected to the line's facilities, notify the USER's local division superintendent of the plan to do such work.

9. (a) The USER shall, in addition to the monthly charge, hereinbefore provided pay to the RAILROAD, in accordance with the RAILROAD's standard schedule of charges, all costs for railroad equipment provided for operation on the RAILROAD's track and all associated labor and supervision charges incurred pursuant to paragraph 8, and in accordance with paragraph 3 of this Agreement.

(b) For purposes of the charges authorized by paragraph 8 (a) of this Agreement, the RAILROAD shall submit a statement detailing and itemizing the parts of its total, at least including: number of men involved, the applicable wage rate and the number of hours; the equipment used and the allocable cost thereof, including applicable surcharge.

10. (a) The USER shall, at its own expense, make all repairs and replacements to said electrical transmission line and its ancillary facilities which are required to maintain said line and facilities in good operating condition and, at any expiration or termination of this agreement, shall surrender said line and facilities to RAILROAD in as good condition as the said electric transmission line and its ancillary facilities were at the time USER took possession thereof, reasonable wear and tear and damage by the elements only excepted.

(b) The USER shall maintain the RAILROAD's premises to the extent necessary to prevent natural growth or other obstacles from presenting a hazard to the operation of the line. The USER hereby undertakes no other obligation to maintain the RAILROAD's premises, such being the general obligation of the RAILROAD. The USER will protect the line in accordance with all applicable federal, state and local statutes, rules and regulations.

11. (a) The USER agrees to remove line attachments and equipment which the USER owns from the RAILROAD's substation buildings prior to May 1, 1977.

(b) Should the RAILROAD, prior to May 1, 1977, negotiate and effect the sale of any real property whereon is located a substation, the USER shall, upon written notice from the RAILROAD, undertake the removal of its, the USER's property and accomplish such removal within a reasonable time.

12. The USER shall continue to provide the RAILROAD with an adequate supply of electric power for the RAILROAD's signal system at the following locations which are presently existing feed points: _____, SUBJECT, NONETHELESS, to the rates, rules and regulations, governing such service of the Washington Utilities and Transportation Commission, its successor, and subject also to the authority of any and all other regulatory agencies having jurisdiction.

13. The RAILROAD and the USER both have a number of connections to each other's equipment and facilities within the area covered by this agreement, and it is thus necessary, for a successful implementation of this agreement and for the eventual solution of the myriad technical problems involved in identifying and formalizing the status of the many equipment connections, that the period from the execution hereof to May 1, 1977, be allowed both parties within which to

identify, catalog and otherwise provide for such connections. Existing connections and encroachments, as identified prior to that date, will be treated as within the terms of this Interim Agreement. Any connections of the RAILROAD or encroachments by the USER not identified prior to May 1, 1977, will be treated as new matters beyond the scope of this Interim Agreement and shall be covered by an appropriate separate agreement.

14. (a) Any failure by either party to comply with provisions hereof constitutes a "breach" of this Interim Agreement. A breach alone is not grounds for either termination or for legal action.

(b) Upon a breach, the offended party shall notify the other party in writing of the time and circumstances of the breach and recommending a cure therefor.

(c) Failure by the defaulting party to cure, by any means, a breach, notice of which has been given, within thirty (30) days of the notice, or within such other time as the notice may specify, is substantial breach of this Interim Agreement, entitling the offended party to seek legal action, or, at its option, terminate this Interim Agreement.

(d) The parties hereto recognize that the nature and scope of operations and performance hereunder may preclude immediate cure of noncompliance herewith and, therefore, warrant to one another that, in giving notice under this paragraph and generally, in the performance hereof, they shall adhere to fundamentally reasonable standards.

(e) The waiver of or the failure by either party to assert the breach of any condition, covenant or agreement herein contained to be kept and performed by the other party, shall in no way impair the right of the non-defaulting party to avail itself of and assert and take action upon any subsequent breach thereof.

15. The USER shall not assign this Interim Agreement or the obligations and rights hereof or any part thereof, without prior written consent of the RAILROAD. Subcontracting the performance of operations herein allowed or contemplated is not a violation of this paragraph.

16. Subject to the provisions of paragraph 5 hereof, this Interim Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

17. This Interim Agreement shall be construed and interpreted and is executed subject to the laws of the State of Washington.

18. Notices herein required shall be sufficient if sent Certified Mail, Return Receipt Requested, in the United States Mail, addressed to the president of the respective companies at the addresses hereinbefore designated.

19. In the event the RAILROAD shall permit any other railroad company or companies to use its said railway facilities or premises, such other user or users shall have the benefit of the hold harmless and the indemnity provisions inuring to the RAILROAD hereunder, with the same effect as if such other user or users were parties hereto.

20. This is the sole agreement between the parties hereto relative to the operation, maintenance, repair and replacement of the line by the USER on the RAILROAD's premises. All previous agreements are hereby superseded.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first herein written.

CHICAGO, MILWAUKEE, ST. PAUL AND
PACIFIC RAILROAD COMPANY

ATTEST:

By _____
Its _____

By _____
Its _____

ATTEST:

PUGET SOUND POWER & LIGHT COMPANY

By _____
Its _____

By _____
Its _____

Transmission line - 1975 Cost of Replacement
New

TC \$ 11,769,428
DI \$ 11,169,428 CP2

AL = 24

ML = 37

MSalvage = \$ 882,707 ^{-S.L. Decline} level P & I
80% Money Borrowed 48% Tax Rate
 $i = 15\%$; Reinvest @ 15% Obs/Per = 0

Earnings/yr = ? to get 13% R.O.I.

Try \$1,600,000?

15:36 04/15/76 THURSDAY ID1

CAPITAL INVESTMENT ANALYSIS AND SIMULATION

FUNCTIONS (NO ASSUMES DATA ENTERED)? NO

PAUSE AT LINE 3420

TOTAL INVESTED CAPITAL 11769420 MAXIMUM LIFE 37 AVERAGE LIFE 24
 DEPRECIABLE INVESTMENT 11169420 INCOME TAX 48.00
 MINIMUM SALVAGE VALUE 882707 % BORROWED 80.00

EARNINGS FACTORS-----OPTION 2

INITIAL VALUE 1555000

12 = 129,584
129,433

DEPRECIATION FACTORS--OPTION 1

INTEREST FACTORS-----OPTION 2

YEARS 24

RATE 15.00

SALVAGE FACTORS-----OPTION 2

YEARS 24

RETURN FACTORS-----OPTION 2

REINVEST RATE 15.00

DISTRIBUTION FACTORS--OPTION 2

OBS/DIST FACTOR 0

PAUSE AT LINE 3920

EXPECTED RATE OF RETURN = 13.0151

YR	EARNINGS	DEPRECIATION	INTEREST	CASH-FLOW	SALVAGE VALUE	RATE OF RETURN	PPDP. FACTOR
1	1555000	2559287	1419331	1302645	10740810	2.33	0.049
	1555000	930413	1404663	720159	10318200	2.51	0.047
2	1555000	778509	1395845	759866	9883584	2.72	0.046
3	1555000	742767	1385704	861963	9454976	2.99	0.044
4	1555000	712609	1374042	992946	9026366	3.56	0.043
5	1555000	672339	1360630	1117946	8597750	4.08	0.041
6	1555000	636657	1345207	1276501	8169137	4.68	0.040
7	1555000	602032	1327470	1460579	7740524	5.33	0.038
8	1555000	566290	1307073	1673116	7311911	6.04	0.037
9	1555000	530548	1283617	1919124	6883298	6.77	0.036
10	1555000	495923	1256642	2204339	6454685	7.54	0.034
11	1555000	460180	1225620	2534033	6026072	8.33	0.033
12	1555000	424438	1189946	2915531	5597459	9.09	0.032
13	1555000	389813	1149920	3357573	5168846	9.85	0.031
14	1555000	354071	1101740	3869586	4740233	10.59	0.030
15	1555000	318329	1047484	4459930	4311620	11.29	0.029
16	1555000	283703	985089	5144744	3883007	11.96	0.028
17	1555000	247961	913335	5936611	3454394	12.58	0.027
18	1555000	212219	830817	6852855	3025781	13.16	0.026
19	1555000	42444	735922	7948636	2597168	13.69	0.025
20	1555000	0	626793	9062205	2168555	14.18	0.024
21	1555000	0	501294	10486900	1739942	14.63	0.023
22	1555000	0	356971	12134990	1311329	15.04	0.022
23	1555000	0	190999	14041540	882707	15.42	0.021
24	1555000	0	0	16247090	882707	15.78	0.020
25	1555000	0	0	18584160	882707	16.10	0.020
26	1555000	0	0	21486780	882707	16.39	0.019
27	1555000	0	0	24709790	882707	16.66	0.019
28	1555000	0	0	28416250	882707	16.90	0.018
29	1555000	0	0	32678680	882707	17.12	0.017
30	1555000	0	0	37590480	882707	17.32	0.016
31	1555000	0	0	43217550	882707	17.50	0.016
32	1555000	0	0	49700170	882707	17.67	0.015
33	1555000	0	0	57155200	882707	17.82	0.014
34	1555000	0	0	65728480	882707	17.97	0.014
35	1555000	0	0	75587740	882707	18.10	0.013
36	1555000	0	0	86925900	882707	18.21	0.013
37	1555000	0	0				

TRANSMISSION / NE - ALTERNATIVES - RR.

1. SALE OF TRANS. LINE ^{TO UTILITY(S)} SUBJECT TO MORTGAGE.
2. LEASE TRANS. LINE TO UTILITY(S)
3. JOINT OPERATION WITH UTILITY(S) - SIMILAR TO PRESENT ARRANGEMENT.

ALTERNATIVES CONSIDERED BUT NOT FEASIBLE

1. SCRAP TRANS. LINE - RECOVER SALVAGE #. (KITITAS, EHLERSBURG AREAS - CONSUMER'S)
2. OPERATE AS A PUBLIC UTILITY.
3. SALE OF LINE TO UTILITY(S) - FREE OF MORT.
 - ^{declare} Surplus for Transportation - ROFW may revert to original/heirs of land.
 Integrity of hire!

TIME CONSTRAINTS - MAY '76 - PRESENT CONTRACT EXPIRES.

Decision process:

- (1) Negotiate interim contract 1+ years.
- (2) ✓ long term agreement.

- RR needs protection
- (1) liability
 - (2) labor protection agreements
 - (3) Future use of ROFW (pipelines)
 (Mason)
 - (4) B.N. coordination's - double track?
 - (5) signal system! - Comm. system!

4. RR Sale of Transmission line; Subject to Mortgage

RR Advantages:

1. lump sum cash inflow; deposit with Trustee to be drawn down for A&B's on other RR property.
2. ROW with ~~it~~ remains in control of RR.
3. Utility assumes line maintenance.
4. Any A&B's on line to be assumed by Utility subject to RR approval incl. operating expenses during any construction-maintenance period.
5. Cash payment represents gain on property; increase in net income (one time).
6. Taxes assumed by utility.
7. Utility responsible for removing line if this ever becomes necessary.

RR Disadvantages:

1. Future litigation of ROW may be restricted i.e. pipeline - transmission line conflicts
2. Utility maintenance may interfere with RR maintenance & operation.
3. RR will pay more for their electricity consumption.

Items to be resolved:

1. liability - personal, equipment, property - lost transmission revenues if line is damaged by RR; host revenue; claims if utility damages RR property.
2. RR labor protection.

1. RR Sale of Transmission line; E gift to mortgage

Utility advantages:

1. Acquire property to continue distribution & transmission services; protect revenues.
2. All or part of purchase price may be used for rate base reduction purposes; subject to Wa. Utility Commission.
3. RR to pay more for their power consumption.
4. ~~Property~~ will be depreciated i.e. income tax shield.
5. Improvements on line can be made for growth potential subject to RR agreement.
6. Maintenance to utility specifications will improve reliability.
7. Any salvage of materials remains with utility.

Utility Disadvantages:

1. bump seen each outlay
2. Maintenance & taxes to be assumed.
3. ROFW remains under control of RR Mort. - lose investment in bankruptcy.
4. RR may interfere with utility maintenance & operation
- 5.

2. RR Lease Transmission Line

RR Advantages

1. long term annual stable cash inflow - ^{not} subject to ^{trustee's} entanglements.
2. ~~RR~~ Payments represent "Other Revenues" - increase in net income (annual).
3. RoFW & line remain in RR control.
4. Utility assumes maintenance subject to RR criteria.
5. A & B's to be assumed by utility subject to RR conditions.
6. RR liable for taxes - reimbursed by utility in lease payment.
7. Any salvage ~~to~~ of original line to remain with railroad's less cost to recover.
8. RR to get reduced rate for its power usage.

RR Disadvantages

1. Future use of RoFW restricted i.e. pipeline transmission conflicts.
2. Conflicts in maintenance with ~~RR~~ utility.
- 3.

Items to be resolved:

1. liability
2. Insurance payments.
3. RR labor protection.

2. RR lease Transmission line

Utility Advantages:

1. No large immediate cash outflow.
2. Continue use of line for distribution & Transmission services; protect revenues.
3. Payments are included in operating expenses; affects rate increases - flow through.
4. Improvements on line can be made for growth potential - subject to RR approval.
5. Maintenance by utility can improve reliability.
6. Taxes included as part of lease payment - lower for RR.
7. No problem with Utility Comm. as far as valuation for rate base.

Utility Disadvantages:

1. long term annual cash outflow to RR
2. ^{line}ROF _{Remains} in RR control.
3. cost of A & B's to be assumed; subject to RR.
4. No Tax shield from Depreciation.
5. Conflicts in maintenance with RR operation.
- 6.

3. Joint Operation

RR Advantages:

1. R of W & line remains in RR control,
2. M&O divided on usage basis.
3. Guaranteed annual rental from utility. - Increase in Net Income - No Mt. entanglement.
4. RR has improvements as capital item. - Depreciation
- RR participates with capital #.
- 5.

RR Disadvantages

1. RR remains in transmission line business. - subject to utility regulations.?
2. RR participates in capital #.
3. Maintenance # - upgrade by RR for utility purpose (split on usage)
which is \$ in excess of RR usage needs.
4. RR pays more for their power usage.
5. ~~RA~~

Outline

1. Policy

- 1a. Nature of Problem - ^{Inherent} Value of time - LCCW. : Avoid short run cash needs as a paramount objective.
2. Time Constraint : Decision Process $\left\{ \begin{array}{l} \text{short run} \\ \text{long} \end{array} \right.$
3. General areas of determinations. - liability - labor etc.
4. Alternatives considered but not plausible.

5. V. Alternatives - Sale
- Lease
- Joint

6. Economic Analysis.

7. Prelim concl : Recomm.

Seattle, Washington
Law Department
April 23, 1976

T. F. Power
Director-Corporate Planning
Chicago

Re: Alternative Dispositions of Washington Transmission
Line
Law Department GF 2208

Please find enclosed copy of revised letter delivered to Puget Sound Power & Light with interim agreement at the April 20 meeting. This for your file.

J. Fred Simpson
J. Fred Simpson
General Attorney

JFS:njo
Enc.

*John
Stoll
11/15/71*

CHICAGO - April 27, 1976
Refer to: S - Wash - General
Transmission Line
PSP&L

Mr. D. H. Knight
Vice President
Power Supply
Puget Sound Power & Light Co.
Puget Power Building
Bellevue, Washington 98009

Dear Mr. Knight:

This will acknowledge your letter of April 23 in response to mine of April 15, concerning our electric transmission line in the State of Washington.

Your letter will be reviewed by our people and a later response made to you.

Very truly yours,

(signed) E. J. STOLL

*Ch 11/15/71
GRF to RKM
para 15 controls*

EJS/al

- bcc: Messrs. R. K. Merrill
- W. H. Ploeger
- B. J. Worley
- J. F. Simpson
- G. A. Kellow
- G. R. Frazier
- P. W. Scott



NOTE to ALL: You all have a copy of my letter of April 15 which was delivered in person to Mr. Knight at Bellevue on April 20.

Attached is a copy of Mr. Knight's reply of April 23. All should be aware of Mr. Knight's statement that the 1929 agreement provides that the Railroad Company is to grant the Power Company the right to construct, maintain and operate a transmission line on our right of way and Mr. Knight's interpretation that such right is to be granted free of charge.

Mr. D. H. Knight
Page Two

April 27, 1976

N O T E to A L L (Cont'd)

Messrs. Merrill, Ploeger and Simpson should review the letter of April 23 and the 1929 agreement and either draft a reply for my signature or advise if the matter is now to be turned over to the Law Department for further action.

EJS

/al

PUGET SOUND POWER & LIGHT COMPANY

PUGET POWER BUILDING - (206) 454-6363
BELLEVUE, WASHINGTON 98009

April 23, 1976

Mr. E. J. Stoll, Vice President
Real Estate, Economic and Resource
Development
Chicago, Milwaukee, St. Paul &
Pacific Railroad Company
516 West Jackson Boulevard, Room 286
Chicago, Illinois 60606



Dear Mr. Stoll:

I am writing in reply to your letter of April 15, 1976, which you delivered to me in person at our meeting on April 20, 1976.

I am concerned that your letter misconstrues the negotiations between our respective companies regarding our proposed purchase of your intermountain transmission line. I am also concerned that your letter, in threatening to terminate our use of your transmission line, disregards the express provisions of the 1929 contract and the obligations imposed upon the Milwaukee Road by the Federal Power Act.

The first page of your letter implies that Puget is somehow responsible for our negotiations not resulting in an agreement for the purchase of the transmission line. In fact, the initial impediment to such purchase was the Railroad's refusal to release the associated right of way from the lien of its first mortgage and its insistence that, if Puget were to purchase such right of way, it must do so subject to such mortgage. As you well know, if the Milwaukee Road defaulted in its obligations to its bondholders, its first mortgage could be foreclosed and Puget would lose its interest in the transmission line if it did purchase it subject to such mortgage. Obviously, it would be imprudent for Puget to take such a risk. Of course, it is possible for the Milwaukee Road to obtain the necessary releases from the first mortgage so that the associated transmission line right of way could be sold to Puget clear of the mortgage. However, the Milwaukee Road has refused to consider obtaining such releases; presumably because, to do so, it would have to pay the proceeds of the sale to the trustee for its bondholders.

This difficulty regarding your first mortgage was just the initial stumbling block to putting together the purchase transaction. The real impediment now, as you state in your letter, is that "...other development opportunities have been presented to the Milwaukee for use of its right of way which opportunities

PUGET SOUND POWER & LIGHT COMPANY

Mr. E. J. Stoll
Page Two
April 23, 1976

preclude further consideration for the sale of the transmission line at this time." Therefore, the implication in your letter that, Puget somehow has not pursued purchase and sale negotiations in good faith, is erroneous and I feel constrained to set the record straight, particularly in light of all the work which representatives of our Company have undertaken in reviewing the Railroad's title to the right of way, as well as in drafting and preparing documents of conveyance in the hope of consummating a sale.

At our meeting on April 20, 1976, you presented us with a draft of an "Interim Agreement" which would permit Puget to lease the transmission line from the Railroad for 24 months at an interim rental fee of \$80,000 per month. As you know, Puget is presently entitled to use the line without charge under the 1929 agreement. Section 4 of that agreement provides:

4. It Is Understood that the Power Company is acquiring electric power and energy to be furnished to the Railroad Company under this contract from The Washington Water Power Company and Puget Sound Power & Light Company, and it is agreed by the Railroad Company that the Power Company shall be permitted to use, without charge therefor, and to admit The Washington Water Power Company and the Puget Sound Power & Light Company to use, without charge therefor, jointly or severally, the Railroad Company's transmission and substation transforming facilities for the purpose of serving any customers, and for such purposes to install and maintain such transmission lines and facilities as shall be necessary to give access thereto..."

The second paragraph of section 4 then goes on to state:

"In the event that the Railroad Company shall end and determine the right of the Power Company, the Washington Water Power Company and/or the Puget Sound Power & Light Company, or either or any of them, to use its facilities as above provided, then the Railroad Company shall and will grant unto said corporation or corporations the right to construct, maintain and operate a transmission line or lines over, across, along and upon the right of way of the Railroad Company for the purpose of transmitting electric power and energy..."

The intent of inserting the foregoing provision in the 1929 agreement was obviously to protect Puget and its customers from being subject to the sort of abrupt termination threatened in your letter.

PUGET SOUND POWER & LIGHT COMPANY

Mr. E. J. Stoll
Page Three
April 23, 1976

Also, in light of the foregoing provision, it is our position that the Railroad must grant Puget adequate operating rights for a transmission line and that the Railroad must grant such rights to Puget free of charge.

There is a further reason, beyond the express terms of the 1929 contract, why the Railroad is prohibited from carrying out the termination threatened in its letter. The Federal Power Act defines a "public utility" as "any person who owns or operates facilities subject to the jurisdiction of the (Federal Power Commission)..." Facilities subject to the jurisdiction of the Federal Power Commission include "facilities for transmission of electric energy in interstate commerce..." Therefore, because the Milwaukee Road owns such jurisdictional facilities, it is a "public utility" within the meaning of the Federal Power Act and is subject to regulation by the Federal Power Commission. There would be an exemption available to the Railroad if it used such facilities solely to transmit energy which it itself wholly consumed. However, because such facilities are used to transmit energy in interstate commerce for Puget, such exemption is not available to the Railroad.

As a "public utility" subject to the regulation of the Federal Power Commission, the Railroad has a public utility responsibility to maintain service to Puget and any rates or charges which the Railroad makes for such service must be filed and approved by the Federal Power Commission. You have stated that your consultants believe leasing these facilities to Puget would not subject the Railroad to Federal Power Commission jurisdiction. We disagree. First, the Railroad is already subject to such jurisdiction by virtue of the activities it is carrying on under the 1929 agreement. Second, the Federal Power Commission regulations specifically provide that transmitting electric energy in interstate commerce includes "...the utilization of facilities owned or operated by any public utility to effect any (transmission services) whether by leasing or other arrangement." As we emphasized to you at our meeting on April 20, the reality that the Railroad is providing a service which is subject to regulation by the Federal Power Commission is something which the Railroad cannot avoid and must face. Furthermore, the completely unrealistic rental charge which the Railroad has proposed for the continued use of its line is one which we cannot accept and one which we are sure the Federal Power Commission would not accept.

Realistically, it seems fruitless to talk in terms of leasing the line at all because it would not seem that the Railroad could function under Federal Power Commission jurisdiction. The Commission's jurisdiction is broader than just approving rates and

PUGET SOUND POWER & LIGHT COMPANY

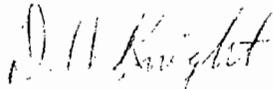
Mr. E. J. Stoll
Page Four
April 23, 1976

extends to such matters as approvals of securities, annual and periodic reporting functions, etc. These requirements would seem to pose insurmountable problems for the Railroad. We, therefore, suggest that the Railroad reconsider having abandoned our negotiations concerning the sale and purchase of the line. After all, under the terms of the 1929 agreement, Puget could insist that the Railroad grant it the necessary operating rights for the line.

I should point out that, in view of the fact that the Railroad cannot charge Puget any fee for the use of its line unless such fee is first approved by the Federal Power Commission, we do not intend to pay the Railroad any rental fee and will continue our operations under the terms and conditions of the 1929 agreement until this matter is settled between us.

Any suggestions you may have on how we should proceed would be appreciated.

Very truly yours,



D. H. Knight
Vice President
Power Supply

Tacoma - April 29, 1976

File: Washington Transmission Line

Mr. E. J. Stoll:

With reference to your April 27 letter and Mr. Knight's April 23 letter which were received today, I am enclosing a permit authorizing use of transmission and sub-station facilities by the Washington Water Power Company and PSP&L between Taunton and Cedar Falls. This permit was written in 1944, when WWP made application to the trustees as successors in the interest of Milwaukee. Page 2 seems to further emphasize that the power companies' use of the facilities is to continue during the life of the contract.

Some of the "use of facilities" agreements filed with the power companies state that the period of use is during the life of the contract, while others state that it is for an indefinite period - the installation being of a permanent nature.

It also seems apparent that PSP&L definitely wants to buy this line; and I believe that they fear lease, because in the long run, and with inflation factors, the lease would be more costly to them.

George R. Frazier

George R. Frazier

GRF:ls

Attachment

cc: R. K. Merrill	W. H. Ploeger
B. J. Worley	J. F. Simpson
G. A. Kellow	P. W. Scott

5/ 111

PERMIT AUTHORIZING THE USE OF
TRANSMISSION LINE AND SUBSTATION FACILITIES OF THE
CHICAGO, MILWAUKEE, ST. PAUL AND PACIFIC RAILROAD
COMPANY BY THE WASHINGTON WATER POWER COMPANY AND
PUGET SOUND POWER & LIGHT COMPANY BETWEEN TAUNTON
AND CEDAR FALLS, WASHINGTON

WHEREAS, by the certain contract between the INTERMOUNTAIN
POWER COMPANY and the CHICAGO, MILWAUKEE, ST. PAUL AND PACIFIC RAIL-
ROAD COMPANY dated July 31, 1929, it was, among other things, provid-
ed as follows:

* * * It is agreed by the Railroad Company that the
Power Company shall be permitted to use, without charge
therefor, and to admit the Washington Water Power Company
and the Puget Sound Power & Light Company to use, without
charge therefor, jointly or severally, the Railroad Company's
transmission and substation transforming facilities for the
purpose of serving any customers and for such purposes to
install and maintain such transmission lines and facilities
as shall be necessary to give access thereto, provided such
use shall not, in the opinion of the Railroad Company, inter-
fere with the electrical operation of trains or with any
other use which the Railroad Company may wish to make of
such facilities, and the use of such facilities by the
Power Company and/or the Washington Water Power Company
and/or the Puget Sound Power & Light Company pursuant to
the authority hereby granted shall be at all times subject
to the supervision and approval of the Railroad Company;
* * *.

AND WHEREAS, The Washington Water Power Company is the
successor in interest of the Intermountain Power Company in and to
said contract mentioned above; and

WHEREAS, Henry A. Scandrett, Walter J. Cummings and George
I. Haight, as Trustees of the Chicago, Milwaukee, St. Paul and Pacific
Railroad Company are successors in interest of the Chicago, Milwaukee,
St. Paul and Pacific Railroad Company, in and to said agreement of
July 31, 1929; and

WHEREAS, The Washington Water Power Company, hereinafter

referred to as the "Power Company", has made application to the said Trustees, hereinafter referred to as the "Railroad", for permission to make use of, and to admit the Puget Sound Power & Light Company, hereinafter called the "Light Company", to the use of, the transmission line and substation facilities of the Railroad between Taunton, Washington, and Cedar Falls, Washington, for the transmission of power and for the installation of certain relays made necessary by the said transmission of power, such use to continue during the life of said contract of July 31, 1929, and subject to the terms and conditions therein contained; and

WHEREAS, the Power Company represents to said Railroad that the power transmitted by the Power Company and/or the Light Company over any portion of that part of the transmission line facilities above described will not exceed an amount which when added to the amount of power which may be flowing in the line for other reasons or purposes will not cause the total current to exceed 240 amperes per phase, or in lieu thereof, such value of current as may be specified in writing by the Electrical Engineer of the Railroad or his designated representative,

NOW, THEREFORE, the use by the Power Company and/or the Light Company of the Railroad's transmission line and substation facilities in the manner, for the purpose, and to the extent above described is hereby approved. The foregoing approval is pursuant to the provisions of said contract of July 31, 1929, and is subject to all of the terms and provisions thereof, including, but not exclusively, sections numbered 4 and 9 of said contract.

It is understood and agreed that this Permit cancels and

supersedes the Permit of April 22, 1940, by the Railroad to Power Company to make use of transmission line facilities of the Railroad between Taunton, Washington, and Cedar Falls, Washington.

This permit is executed by and shall be binding upon Henry A. Scandrett, Walter J. Cummings and George I. Haight, not as individuals, but solely as Trustees of the property of the Chicago, Milwaukee, St. Paul and Pacific Railroad Company, under authority of the Court in certain proceedings under amended Section 77 of the Bankruptcy Act in the District Court of the United States for the Northern District of Illinois, Eastern Division, entitled "In the Matter of Chicago, Milwaukee, St. Paul and Pacific Railroad Company, Debtor," Docket No. 60463.

Dated this 4th day of February, 1944.

HENRY A. SCANDRETT, WALTER J.
CUMMINGS and GEORGE I. HAIGHT,
Trustees of the property of
CHICAGO, MILWAUKEE, ST. PAUL AND
PACIFIC RAILROAD COMPANY,

By § J. N. Davis
Assistant to Trustee

Accepted:

THE WASHINGTON WATER POWER COMPANY

By § J. E. E. Royer
Vice President

*Sale of Transmission
File*

Seattle, Washington
Law Department
May 3, 1976

E. J. Stoll
Vice President
REERDD

Re: Washington Transmission Line
Law Department GF 2208

Mr. Stoll, I have received the copy of your letter to Mr. Knight of Puget Sound Power and Light Company, dated April 27, 1976, together with your note requesting a review of the legal status of the matter. I understand that Mr. Merrill reviewed the provisions in question, with Mr. Frazier approximately five years ago and was of the opinion that the termination of the contract terminated the obligation of the railroad to provide a right of way.

As you are aware, the Fife trial begins May 3 and will probably last at least through that week. I will, therefore, be unable to devote any time to the transmission line contracts in the immediate future.

J. Fred Simpson
General Attorney

JFS:njo

cc: W. H. Ploeger
G. R. Frazier
R. K. Merrill

bc: T. F. Power ←

*Trans Line
File*

Tacoma - May 5, 1976

Mr. J. Fred Simpson:

The enclosed article from Forbes Magazine is pertinent to the transmission line sale.

George R. Frazier

GRF:ls

Attachment

cc: T. F. Power

ing up 14%, corporate profits were down a resounding 44%!

Obviously it is of importance to provide investors with more informa-

tion. If earnings are, they would see only one side of the picture.

The lack of specific guidelines in the SEC proposal is a still more serious problem, and one that troubles

Waist Deep In Big Muddy

IT'S A FUNNY THING about accounting; the deeper you get, the more confusing it gets. The harder you try for the precise truth, the more it eludes you. Indeed, as Pontius Pilate asked: "What is truth?"

Take inflation accounting. The accounting profession has been concerned with reflecting the effects of inflation for many years. In 1974 when inflation was rampant, the Financial Accounting Standards Board, under pressure to act quickly, plucked a previously worked-out approach off the shelf and offered it as its proposed way to account for inflation. It met with tremendous opposition and it may never go into effect.

Because it did not agree with the FASB proposal, the Securities & Exchange Commission came up with its own proposal. It calls for disclosure in the footnotes of four pieces of information: 1) current replacement cost of inventories, 2) the effect on cost of sales if goods and services had been booked at current replacement cost, 3) the replacement cost of depreciable, depletable and amortizable assets and 4) the effect on depreciation charges if depreciation had been calculated on replacement rather than historical cost.

Replacement cost is today's cost. Historical cost is yesterday's cost—cost at time of purchase. Simple example: You bought a car five years ago for \$3,000 and depreciated it over the five years. The price of the car is now \$5,000. The \$3,000 you set aside for depreciation of the original car is not enough to buy a new car. That, in a nutshell, is what is wrong with standard accounting in an inflationary period.

Inflation makes profits look better than they really are. It creates inventory profits that are not really profits. It causes depreciation to be understated (in the simple case above the understatement was \$2,000).

According to the Treasury Department, nonfinancial corporations reported aftertax profits of \$53.7 billion in 1973. In 1974 reported earnings were up about 14%—to \$61 billion. But then the figures were adjusted for inflation—allowing for higher replacement costs and taking out inventory profits. The difference was dramatic and frightening. Instead of being up 14%, corporate profits were down a resounding 44%!

Obviously it is of importance to provide investors with more informa-

tion on how inflation affects companies. But does the SEC proposal do the job? It doesn't seem so.

The primary benefit of the SEC proposal would be to show empirically the dangerous degree of underdepreciation in American business today. U.S. Steel's comptroller, Bracy D. Smith, says that for U.S. Steel the true depreciation (to replace fixed assets) should be two to three times what it is. Doubling depreciation would add about \$300 million to Big Steel's costs, which would come out of aftertax profits and would have lowered reported 1975 earnings per share from \$10.33 to under \$5.

Okay. The SEC proposal would make depreciation and cost of goods more realistic. But it does not deal at all with a host of other issues, many of which would have a beneficial effect on earnings. For example, it requires no procedures for revaluing monetary items like debt or nonmonetary items like investments. Under the SEC's proposed disclosures, banks would show little impact from inflation. Most of their assets are in loans and equity investments, neither of which would be revalued. Yet banks have not been immune to inflation.

Borrowers Are Winners

"In inflationary times, companies that borrowed money have achieved an economic gain, because you pay back in cheaper dollars," says Gary Depolo of Transamerica Corp. "If you ignore that, you're not reflecting business strategies. Many business consultants advise that in inflationary times the winners are those who borrow heavily." The logic of this is obvious: Money due in 1978 will be more burdensome than debt due in 2000. The one will be paid back in dollars worth maybe 90 cents in current terms; the latter in dollars worth maybe 40 cents. So, while inflation increases replacement costs, it probably decreases debt burden.

The SEC's chief accountant, John C. Burton, concedes the partial nature of the disclosure called for, but adds: "We don't have in mind a final end. We have in mind a beginning."

The particular danger of such a piecemeal approach, however, is that investors may get a distorted view of what "real earnings" are; they would see only one side of the picture.

The lack of specific guidelines in the SEC proposal is a still more serious problem, and one that troubles

many companies. Each company would have to make its own assumptions and estimates on replacement cost. This adds an element of subjectivity to accounting that is pure poison to accountants. Take the replacement cost of a plant. The SEC proposal would work like this: Say a plant was built seven years ago at a cost of \$10 million. It has a life of 25 years and is currently 40% depreciated. The replacement cost is determined to be \$15 million. The company would depreciate 40% of the replacement cost immediately and the balance—\$9 million—on a straight-line basis over the remaining 18 years of the life of the asset.

Doesn't sound too difficult. But how was the replacement cost determined? Was it the cost of building a new plant exactly like the old one? Or does it incorporate any technological changes that have occurred? It is up to the companies to decide. A technologically updated plant might cost more to build, but it might also reduce operating and production costs, neither of which would be required to be reflected under the SEC's proposal. Or take a New York City office building that cost \$8 million to build. It might cost \$10 million to replace, but could only be sold for \$6 million. What value should be booked? The SEC has not said.

In short, there seems to be considerable question as to how useful the SEC's proposal will really be. "This thing is going to cost a lot of money, but it has not been demonstrated that there will be a benefit," says A.L. Monroe, controller of Exxon.

How much *would* it cost to comply with the SEC proposal? Estimates vary considerably. AT&T, which favors the change, thinks it could be done for the whole Bell System for under \$1 million. On the other hand United Telecommunications, the nation's third-largest telephone company, but with only 3% of AT&T's assets, complains that it would cost a minimum of \$3 million and probably far more.

There is some sentiment within the accounting profession that the proper agency to deal with inflation accounting is not the SEC but the accountants' own Financial Accounting Standards Board. The FASB has a project under way dealing with the whole issue of current value accounting (of which replacement cost is only one part), but it is unlikely that there will be a final rule until some time in 1977.

There is considerable criticism of the FASB's failure to act more quickly, but Vice Chairman Robert Sprouse defends the FASB's deliberate approach: "The SEC proposal provides few guidelines on how replacement-cost data is to be determined. It is really a very fuzzy sort of thing. I am also concerned about the partial nature of the disclosure. We're not in a position to do that. Our pronouncements become part of Generally Accepted Accounting Principles."

Slow But Steady

In other words, the FASB must come up with rules for a fully articulated set of financial statements. It cannot duck the issue of monetary items simply because it is a difficult issue. It cannot be vague on what it wants and how data is to be developed. It must be precise because, unlike the SEC's proposal, disclosure under its rules would have to be audited. Such precision takes time.

Some companies, General Electric and J.C. Penney among them, would prefer a period of experimentation before *requiring* disclosure. At least one accounting firm agrees. In January Touche Ross & Co. began a nationwide effort to get companies to experiment with all aspects of current-value accounting, and has suggested procedures to provide a fully articulated set of financial statements. "We feel that there are tremendous distortions in current financial statements," says TR partner Tom Porter. "Historical-cost figures may be objective and easy to get, but in an inflationary period, they are no longer relevant."

What seems clear is that requiring the disclosure of piecemeal data is both misleading and expensive. For the SEC to *require* partial disclosure now seems an unnecessary burden to place on companies, especially when they might have to change their systems again to comply with a future FASB ruling. A hastily devised and partial stopgap measure like the SEC proposal merely adds one more expensive regulation to an already over-bureaucratized business environment.

Don't get us wrong. We're not against letting investors know the facts, but we *are* against rushing into anything this important on an incomplete basis. Sure, inflation hurts most businesses, but it also helps them in some ways. A system that deals only with the hurt and not with the benefit may be worse than no system at all. ■

Chicago - May 24, 1976
Refer to: S - Wash. - General
Transmission Line (PSP&L)

Mr. D. H. Knight
Vice President - Power Supply
Puget Sound Power & Light Company
Puget Power Building
Bellevue, Washington 98009

Dear Mr. Knight:

Referring to yours of April 23rd concerning our electric transmission line in the State of Washington.

Our Law Department does not agree with your selection of a partial quotation of Paragraph 4 of the agreement but rather interprets that the agreement must be considered in its entirety. Paragraph 16 of the agreement provides that either party can cancel on two years written notice without restriction and such notice has been given and the contract has been cancelled.

My letter of April 15 provided your company with a form of interim agreement whereby your company could use the facility until November 1, 1976 while further efforts were made to resolve a permanent type of contract. The proposed interim agreement calls for payment effective May 7, 1976 of \$80,000 per month and instructions have been issued for billing to be made in accordance with the proposed agreement. The first payment of \$80,000 which was due on May 7th is already delinquent.

Very truly yours,

(SIGNED) E. J. STOLL

EJS/jld

bcc: R. K. Merrill
W. H. Ploeger
B. J. Worley
J. F. Simpson
G. A. Kellow
G. R. Frazier
P. W. Scott

[Handwritten signature]

Chicago - June 23, 1976
Refer to: S - Wash. - General
Transmission Line - PSP&L

Mr. D. H. Knight, Vice President-
Power Supply
Puget Sound Power & Light Company
Puget Power Building
Bellevue, Washington 98009

Dear Mr. Knight:

Thanks for your letter of June 14 concerning possibility of re-opening negotiations for sale or lease of our 100 KV electric transmission line in the State of Washington.

I would be pleased to meet with you and other representatives of your company in an effort to resolve the present impasse. Such a meeting could take place any day during the week of July 19 which appears to be the first opportunity that I will have to be in the Seattle area.

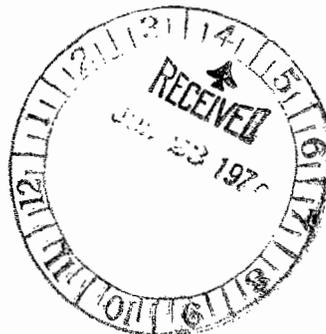
If you or your secretary will arrange to phone me or drop me a line, we can clear a date which is mutually acceptable to all concerned.

Sincerely,

EJS/jld

(SIGNED) E. J. STOLL

bcc: W. L. Smith
R. K. Merrill
W. H. Ploeger
B. J. Worley
J. F. Simpson
G. A. Kellow ←
G. R. Frazier
P. W. Scott



W

July 1, 1976

Refer to: S - Wash - General
Transmission Line - PSP&L

Mr. D. H. Knight
Vice President - Power Supply
Puget Sound Power & Light Company
Puget Power Building
Bellevue, Washington 98009

Dear Mr. Knight:

This will confirm appointment in your office at Bellevue at 9:00 a.m. on Thursday, July 22nd to reopen discussions regarding disposition of our 100 KV transmission line in the State of Washington.

Very truly yours,

(SIGNED) E. J. STOLL

EJS/ns

bc: Messrs. G. A. Kellow
W. H. Ploeger
J. F. Simpson
P. W. Scott
G. R. Frazier



Done
As information
SML
8/17

Chicago - August 13, 1976
Refer to: S - Wash. - General
Transmission Line (PSP&L)

Mr. R. K. Merrill

We have had several discussions in recent months concerning the possible sale of our 137-mile 100 KV electric transmission line between Taunton and Cedar Falls, Washington to Puget Sound Power & Light Company which would involve a bill of sale for the facilities, a quitclaim deed for whatever rights we have for portions of the transmission line right of way which lie outside of our Railroad right of way and granting of a permanent easement for those portions of the right of way located on Railroad right of way.

Puget has operated this transmission line under an agreement of July 31, 1929 which agreement has been officially terminated by the Railroad as of May 7, 1976 and, at the present time, Puget is operating the line without an agreement but under the general terms of my letter of April 15 to Mr. D. H. Knight, Vice President. You have a copy of that letter.

We have been attempting to negotiate a sale of this transmission line to PSP&L for more than three years but have failed in all of our negotiations, primarily because of the fact that we have stated at all times that it would be impossible for us to obtain a release of our mortgages on the permanent easement on Railroad right of way.

You have advised verbally on several occasions that it would be possible to obtain releases from our mortgages for this easement right if we pay our mortgage trustees the full amount of money which we obtain from PSP&L for the sale of the line and granting of the easements. On the basis of your statements that we would be able to obtain a release of mortgages, negotiations have been re-opened with Puget and I am attaching a copy of a letter of July 23rd received from Mr. D. H. Knight, Vice President- Power Supply of PSP&L, offering to acquire the line and easement. I have been assured that no deal can be made unless such mortgage releases can be obtained.

It is now important that we have full confirmation that such mortgage releases can be obtained as our negotiations are continuing. A negotiating meeting has been scheduled for Tuesday, August 31, at Seattle.

I have already acknowledged Mr. Knight's letter of July 23 and advised him that his offered price of \$1,300,000 is not acceptable and have supplied him with a copy of a study made for us by the Charles T. Main Consulting Engineering Company of Boston, Massachusetts.

(SIGNED) E. J. STOLL

EJS/jld

cc: Mr. W. L. Smith
Mr. P. F. Cruikshank
Mr. R. F. Kratochwill
Mr. G. A. Kellow
Mr. B. J. Worley
Mr. W. H. Ploeger
Mr. P. W. Scott
Mr. M. D. Sullivan
Mr. J. F. Simpson

PUGET SOUND POWER & LIGHT COMPANY

PUGET POWER BUILDING - (206) 454-6363
BELLEVUE, WASHINGTON 98009

July 23, 1976

Mr. E. J. Stoll, Vice President
Real Estate, Economic & Resource Development
Chicago, Milwaukee, St. Paul and Pacific
Railroad Company
516 West Jackson Boulevard, Room 286
Chicago, Illinois 60606

PURCHASE OF EASEMENT AND TRANSMISSION LINE
Between
CEDAR FALLS AND TAUNTON, WASHINGTON

Dear Ed:

In our meeting yesterday, you indicated that the Railroad will be able to release the proposed transmission line easement on its main line right of way from the lien of its First and General Mortgages. On this assumption, Puget Power is now in a position where we can delineate our offer to the Railroad for the purchase of the subject transmission line together with associated operating rights for that line, both on and off the main line right of way.

We understand that we would be purchasing from the Railroad as of May 7, 1976, all the Railroad right, title and interest in and to the Railroad's electric transmission line of a voltage of approximately 115 kV located between Cedar Falls and Taunton, Washington, and all appurtenant facilities connected with or forming a part of the line or necessary for the operation of the line (wires, poles, guys, anchors, and so forth) but not including the Railroad's substations and buildings which may be, or formerly were, part of or used in connection with the line. We would also be receiving from the Railroad an assignment of its transmission line operating rights for the portion of the line located off the Railroad's main line railroad right of way. The transfer of these off main line operating rights and of the line itself and appurtenant facilities would be accomplished using a form of Deed and Bill Of Sale substantially the same as that dated July 15, 1974, and used by the Railroad to transfer like property to The Montana Power Company.

In regard to the transmission line operating rights on the main line railroad right of way, we understand that the Railroad would convey to us an easement in substantially the same form as our draft easement dated October 6, 1975, which was the subject of our review and discussion at our meeting

PUGET SOUND POWER & LIGHT COMPANY

Mr. E. J. Stoll
Page Two
July 23, 1976

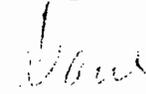
of November 17, 1975. We recognize that both the Railroad and Puget Power have certain language revisions and some polishing to do on the subject easement form, but it is assumed that the general concepts expressed in the easement form will remain the same.

In addition, we contemplate that our respective companies will need to enter into an overall Purchase and Sale Agreement covering such matters as: regulatory agency approvals, date of closing, purchase price, etc. A form of Purchase and Sale Agreement similar to that furnished to you at our November 17, 1975, meeting would serve this purpose; although once again, we recognize that both parties have certain language revisions to make to that draft agreement.

Assuming that the foregoing agreements can be put in final form to our mutual satisfaction, we would be willing to pay \$1,300,000 for the line and associated operating rights, together with interest, at a rate to be agreed upon from May 7, 1976, to the date of closing.

We look forward to your favorable review of this offer and look forward to discussing it and the remaining details with you at our scheduled meeting in Seattle on August 31, 1976.

Very truly yours,


D. H. Knight
Vice President
Power Supply

bc: Messrs.

W. L. Smith
R. K. Merrill
R. F. Kratochwill
G. A. Kellow
B. J. Worley

W. H. Ploeger - Seattle
P. W. Scott - Seattle
J. F. Simpson - Seattle
George Frazier - Tacoma

September 3, 1976

Refer to: S - Wash. General
Transmission Line (PSP&L)

Mr. David H. Knight
Vice President - Power Supply
Puget Sound Power & Light Company
Puget Power Building
Bellevue, Washington 98003

Dear Dave:

I was pleased to have the opportunity to talk with you and Bill Weaver at the meeting on August 31 in Seattle in regard to the continuing negotiations for the sale of our 100 KW electric transmission line from Cedar Falls to Taunton, Washington. This will confirm the date which we have scheduled at 9:00 A.M. Thursday, October 7, in the Milwaukee Road Conference Room on the 8th floor of the Skinner Building in Seattle.

This letter will also confirm to you that I am willing to recommend to the management and Board of the Milwaukee Road sale of the transmission line and transfer of our existing title to those portions of the right of way for the power line which lie outside of our railroad right of way, together with an easement for those portions of the right of way necessary for the transmission line lying on our mainline right of way, for a cash consideration of \$2,250,000 with the understanding that the Milwaukee Road will release the line, easement and other rights of way involved in the transaction from our applicable mortgages.

Our Attorney, Mr. J. Fred Simpson, will again review the documents which were under consideration at the end of 1975 and make any necessary changes or corrections to reflect those matters which were discussed at our recent meeting - after which copies will be furnished to you and Bill Weaver for review on behalf of your company. It was understood at the meeting that these documents would be available on or before September 24 so that all of us will have an opportunity to review them prior to the meeting on October 7.

George Frazier in the meantime will arrange for the necessary itemization of expenses which have been paid by the Milwaukee for maintenance and furnish this information for you in accordance with our discussion, since these maintenance costs are to be billed against your company.

We'll look forward to the discussion on October 7.

Sincerely,

*TFP
 Your opinion? Is
 the price right?
 Paul/11/11*

Chicago - November 9, 1976

Refer to: S - Wash. - General
 Transmission Line (PSP&L)

Mr. W. L. Smith:

Referring to mine of November 8, recommending sale of the 100 KV electric transmission line from Taunton to Cedar Falls, Washington, to PSP&L for a consideration of \$1,450,000:

In the submission for Board approval I have indicated that the sale price for the land is \$600,000, of which \$130,000 should be for that portion of the land lying off our mainline right of way. The remainder, \$470,000, is for that portion of the easement area lying on our mainline right of way. Using these figures, we can determine the profit from the sale on the following basis:

Total sale price	\$600,000
On mainline R/W	\$470,000
Original cost 40-ft. R/W	<u>- 182,546</u>
Profit	\$287,454
Off railroad R/W	\$130,000
Original cost	<u>- 4,182</u>
Profit	<u>\$125,818</u>
Total profit	\$413,272

(SIGNED) E. J. STOLL

EJS/rcb

cc: Mr. R. F. Kratochwill
 Mr. P. C. White



1977 Forecast 10/14/76

November

Sale Price \$ 1,300,000

\$ hand
290,000
1,010,000
line

Gain \$ 214,000

ltr EFS 11/6
to
w/s

1,450,000 ✓ Sale Price
600,000 hand
850,000 Trashline

Gain 413,272

ltr EFS 9/3
to
Puget

Sale Price
\$ 2,250,000

ltr Puget
to
EFS

7/23
offer \$ 1,300,000

Seattle - Law Department
November 11, 1976

W. L. Smith
P. F. Cruikshank
B. J. Worley
R. F. Kratochwill
R. K. Merrill
W. E. Fuhr
W. H. Ploeger
G. R. Frazier
P. W. Scott

Re: Disposition of Washington Transmission Line
Seattle Law Department File No. GF 2208

Gentlemen:

Please find attached draft dated November 10, 1976 of proposed easement to Puget Sound Power & Light Company for operation of an electric transmission line on the railroad right of way between Taunton and Cedar Falls, Washington. This agreement is essentially Mr. Stoll's draft of November 2, 1976. By Mr. Stoll's letter of November 3, 1976 I was requested to retype the November 2 draft and revise it in accordance with any comments received from you. Mr. Wylie has expressed concern with the problem of inductive interference and I have attempted to amplify paragraph 7 to meet his concerns as I understood them. I have not received comments requesting substantive changes from anyone else.

I understand that the November 2, 1976 draft prepared by Mr. Stoll is the result of the policy decision made by Mr. Smith, Mr. Cruikshank, Mr. Worley, Mr. Wylie and Mr. Stoll and I have therefore not made changes in the document beyond those suggested by Mr. Wylie. I am concerned, however, from some of Mr. Wylie's comments that there may be some confusion as to the rights being granted to Puget Power.

Page Two

In my opinion, the present draft grants Puget rights in the 100-foot wide railroad right of way substantially equal to those retained by the Railroad. Both parties agree that neither party will undertake any substantial construction, alteration, relocation, improvement or replacement of railroad or power line facilities without the prior written approval of the other party. This means that the Railroad will make no substantial changes in its plant between Taunton and Cedar Falls without the prior written approval of Puget and that Puget will be subject to the same restraint. The word "substantial" is, of course, open to interpretation but would probably include any change in the physical utilization of the 100-foot right of way by either party. We would certainly want to argue that location of a new pole or substation by Puget would be substantial and I would presume that they would argue that any track changes or signal or communication line changes were likewise included. I believe that the Power Company is granted the right subject to prior written approval "which shall not be unreasonably withheld" to locate substations similar to the one at Kittitas and other associated facilities upon the right of way, and in general to utilize the total right of way to the extent that it is not being utilized by the Railroad.

It is my further opinion that the easement restricts future use of the Railroad's right of way to "railroad and power purposes" unless the Railroad and Puget agree on some other use. This would mean that if there was a desire to locate a pipeline or similar use on the right of way that both parties would have to concur in the future use and presumably both parties would be entitled to share in the consideration for that use.

The agreement has been revised to exclude the requirement that the Power Company de-energize the transmission line to provide working clearance at the request of the Railroad

Page Three

Company. The implication is that the Power Company is not required to de-energize the transmission line except at the convenience of the Power Company. Paragraph 10(b) appears to support the above interpretation providing that the parties will accomplish their respective obligations regarding the right of way in a manner which does not hinder or impair the other's operations on the right of way.

With regard to which party will bear the expense of relocation of facilities if relocation should become necessary at a future date, paragraph 13(a) provides that the Power Company will alter or relocate its facilities without expense to the Railroad if necessary to permit construction of spur trackage to serve industry provided no other feasible route for such spur trackage is available. An earlier draft had provided that the Power Company's obligation existed provided there was no other feasible and economical route for the trackage available. It is not clear to me whether feasible is thought to include economical or merely means technically possible.

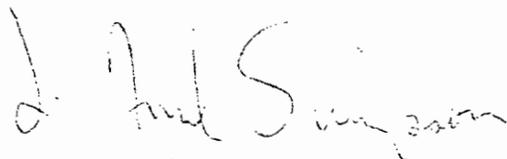
Paragraph 13(d) requires that the Railroad Company will provide whenever possible or practical, locations for portions of the Power Company facilities which are to be relocated pursuant to paragraph 13. While this language in earlier drafts of the agreement, by implication, only applied to new locations on the Railroad right of way, the new agreement which grants the Power Company the use of the entire right of way makes the language redundant unless it is intended to provide that the Railroad will provide alternate sites outside of the right of way. It is therefore my opinion that the language can be read to mean that the Railroad will provide alternate sites off the right of way even if it is necessary to go out and specifically purchase them.

Page Four

The agreement as originally drawn limited assignment of the easement. That limitation has now been removed and the Power Company may assign its rights without limitation or prior approval. In the situation at hand this may be significant if the Power Company were to assign the easement to the Bonneville Power Administration. Any informal understandings which we have with Puget with regard to matters such as clearances would obviously not be binding upon an assignee of the Power Company, such as Bonneville.

The liability provisions of the agreement provide that each party will bear the loss to its own equipment and personnel. The agreement is somewhat unclear as to whether or not the parties are liable for consequential damages such as might be incurred by the Power Company if the Railroad were to damage the Power Company's facilities and render the line temporarily inoperative.

In summary, it is my opinion that we are selling both the transmission line and an essentially equal 50-percent interest in the Railroad's right of way between Taunton and Cedar Falls, Washington. The interests being conveyed to Puget are only superficially similar to the interests which were conveyed to the Montana Power Company and it is my intention in writing this letter to apprise each of you of the legal significance of the conveyance to Puget as distinct from the sale made to Montana Power.



J. Fred Simpson
General Attorney

JFS:ks

Enclosure

cc: Tom Powers

EASEMENT

THIS AGREEMENT, made and entered into this ____ day of _____, 1976, by and between the CHICAGO, MILWAUKEE, ST. PAUL AND PACIFIC RAILROAD COMPANY, a Wisconsin corporation, of 516 West Jackson Boulevard, Chicago, Illinois 60606, hereinafter referred to as the "Railroad," and PUGET SOUND POWER AND LIGHT COMPANY, a Washington corporation of Puget Power Building, Bellevue, Washington 98009, hereinafter referred to as the "Power Company,"

W I T N E S S E T H :

WHEREAS, the Railroad has, by separate instrument dated _____, 197____, and entitled "Deed and Bill of Sale," sold to the Power Company a certain electric transmission line of approximately 115 kV located in the state of Washington together with certain rights of way located off the Railroad's main line railroad track right of way;

WHEREAS, certain portions of said electric transmission line, totaling approximately 107.5 miles in length, are located upon the Railroad's main line railroad track right of way, which right of way was not conveyed to the Power Company; and

WHEREAS, the Railroad is willing to grant an easement to the Power Company, its successors and assigns, for the operation maintenance, repair, improvement, relocation, alteration and replacement of said electric transmission line upon the Railroad's

main line railroad track right of way from Cedar Falls to Taunton, Washington;

NOW, THEREFORE, in consideration of the sum of Ten Dollars (\$10.00) and other good and sufficient consideration, receipt of which is hereby acknowledged, the Railroad does hereby grant and convey to the Power Company a perpetual right and easement to operate, maintain, repair, improve, relocate, alter and replace (including the right to increase the capacity thereof to 230kV) an electric transmission line, together with supporting structures, anchors, guys and other associated facilities ("Line") over, upon, along and across the Railroad's main line railroad track right of way as described in attached Exhibit "A" ("Easement Area").

This easement is granted subject to the following terms and conditions:

1. (a) It is the intent of both parties to this agreement that the Easement Area be utilized for both railroad and power purposes. To this end, both parties agree that in constructing railroad or power facilities which are additional to or different than those presently existing upon the Easement Area, they will do so in such a manner as to not obstruct, interfere with, or endanger the other party's then existing facilities or the operation thereof within the Easement Area. If such interference can only be practically avoided through modification of the nonconstructing party's facilities, then such construction

shall be permitted subject to the constructing party's paying all of the nonconstructing party's costs of making such modification except as to those modifications covered by paragraph 12(a).

(b) The Power Company use of the Easement Area is to be restricted to not more than one electric transmission line with a nominal voltage of 230 kV together with supporting structures, anchors, guys and other associated facilities.

2. Prior to any substantial construction, alteration, relocation, improvement or replacement of either party's facilities within the Easement Area, the party contemplating such work shall notify the other party in writing describing the details of such work and no such work shall be commenced without the other party's written approval signifying that such work is permissible as being within the intent of this agreement, which approval shall not be unreasonably withheld; Provided, however, that in the event of an emergency requiring immediate action by either party for the protection of its facilities or any persons or property in general, it need give only such notice as is reasonable under the circumstances.

3. (a) The cost of maintenance of said line and all other work thereon shall be paid and borne by the Power Company, and the Power Company shall promptly reimburse the Railroad for the cost and expense to the Railroad of supplies, equipment rental and any work or supervision done in connection therewith pursuant to paragraph 9 hereof.

(b) Railroad cost as used in this agreement shall mean all assignable costs, plus 10 percent on all labor items to cover elements of expense not capable of exact ascertainment, and shall include charges for transportation of men and material at tariff rates and store expense on material.

4. The parties hereto shall not permit any lien or liens of any kind whatsoever to attach to the other's property for or on account of their operations, and the parties shall save harmless one another and their respective properties from and against any and all such liens. Provided, however, that it is expressly understood and agreed that the said line shall be subject to a certain continuing general mortgage under which the Power Company is designated mortgagor; that said mortgage shall be first lien on said line and easement herein granted; and that the Railroad shall obtain release of the Railroad's First Mortgage dated January 1, 1944, and all supplements thereto, and the Railroad's General Mortgage dated January 1, 1944, and all supplements thereto and preserve free of liens the line and easement.

5. (a) Each party assumes all risk of loss of or damage to its property and of injury to or death of its employees, agents, servants, contractors, or subcontractors, and loss of or damage to their property, howsoever caused, and will indemnify and hold harmless the other party from all claims or loss resulting therefrom, occurring on or adjacent to the Railroad's aforesaid main line railroad track right of way.

(b) Each party shall be responsible for claims or loss arising from injury to or death of third persons, or loss of or damage to the property of third persons, occurring in or adjacent to the Railroad's track right of way resulting from negligence of said party. If such injury, death, loss or damage to third persons results from the joint negligence of both parties hereto, each shall be responsible for one-half of the loss sustained by said third persons.

6. The Power Company shall require any contractor performing services for the Power Company on the Railroad's right of way to protect the Railroad and any other railroad company using the Railroad's tracks with a standard form Railroad Protective Liability Insurance policy with coverage in accordance with the United States Department of Transportation, Federal Highway Administration Policy and Procedure Memorandum 20-12, issued June 30, 1967, with revisions of July 13, 1967 and September 29, 1967. The limits of said policy shall be not less than that indicated below:

Bodily Injury	\$ 500,000 each person
	1,000,000 each accident
Property Damage	\$ 500,000 each occurrence
	1,000,000 per policy period

In the alternative, the Power Company may agree to hold harmless and indemnify the Railroad against all loss of or damage to persons or property and any resulting claims or liabilities therefor which the Railroad may incur on account

of the actions of the Power Company's contractors working within the Easement Area.

7. (a) The Power Company and the Railroad shall, within a reasonable time following the execution of this contract, jointly employ a mutually acceptable independent consultant, agree on test procedures, and thereafter measure and record the levels of inductive interference present in the Railroad's signal and communication facilities as a result of operation of the subject 100kV transmission line. Such measurements shall be made as soon as practicable and shall be concluded within six months after the date of this agreement. The recorded measurements will constitute an "interference base level." If greater interference levels are experienced in the future for any reason attributable to the Power Company's operation of the line, the Power Company shall assume the cost of reducing the interference level to said "interference base level."

(b) The Power Company agrees that prior to substantially increasing the capacity of the line that the Power Company will provide to the Railroad at the cost of the Power Company a study on inductive interference which may be caused by the increased capacity of the line and the Power Company agrees to take all necessary measures to protect the Railroad's signal and communication facilities prior to the operation of the line at an increased capacity in order that the interference base level will not be exceeded.

(c) The Power Company acknowledges that the reliable operation of the Railroad's signal and communication system is essential to the operation of the Railroad and agrees notwithstanding paragraphs 14(d) and (e), the Power Company will at all times conduct its operations so as not to exceed the interference base level, and that on notice from the Railroad that the interference base level is being exceeded, will immediately take the necessary steps to reduce interference back to the interference base level.

(d) The Railroad operates over its signal and communication wires voice and data carrier systems with operating frequencies up to and including 156 kHz and the Power Company agrees not to operate any power line carriers over the line or successors in the same frequency ranges without prior written acknowledgement from the Railroad that said operations by the Power Company will not be detrimental to the Railroad's carrier operation.

8. (a) The Power Company has the right to use the Railroad's right of way for access to exercise the rights granted herein. The Railroad, at the sole cost and expense of the Power Company, will provide to the Power Company, insofar as it is available, equipment capable of operating on the railroad track, together with authorized Railroad personnel to operate such equipment to provide access to portions of the line accessible only by rail.

(b) The Power Company may elect to purchase its own high rail equipment. Such equipment must be approved by the Railroad's Chief Engineer and operated by authorized Railroad personnel while in use upon the Railroad's tracks. The Railroad will furnish qualified operating personnel and flagging service at cost to the Power Company when such equipment is used.

(c) The Power Company in the situations hereafter expressed, shall, prior to dispatching its employees, or those of subcontractors, to work on the line where located on the Railroad's right of way, notify, by the most practical means, the Railroad's local Division Manager of the plan to be on the right of way, the number of men probably involved, the time, location, nature and the probable duration of the work, to allow the Railroad to allocate necessary equipment in the event the Railroad is requested to furnish equipment. Such notice shall be given as far in advance as possible.

(d) The situations in which notice is required are those situations, excluding emergencies, in which the Power Company enters the Railroad's right of way for the purpose of installing, altering, renewing, repairing, improving, replacing, relocating or removing the line. All work done in connection with the installation, maintenance, repair, alteration, improvement, replacement, relocation or removal shall be performed in a careful and workmanlike manner, and in conformity with all applicable laws, rules and regulations, federal, state or

municipal. The Power Company shall not do anything upon the premises of the Railroad which will in any way interfere with any facilities or improvements now or hereafter constructed, installed or maintained by the Railroad, or which will in any way obstruct, interfere with or endanger Railroad operation. The Power Company agrees to strictly conform to all reasonable directions and requirements of authorized Railroad representatives in the performance of any work which may interfere with the Railroad's operations. The Power Company shall take all necessary precautions to prevent leakage of electricity from said wires (through the earth or other conductor or by induction or otherwise) from damaging or interfering with the use or operation of the signals, telegraph or telephone or other wires or pipes or other property on or near the Railroad's premises.

(e) The Railroad shall, prior to dispatching its employees or those of its subcontractors to perform work on the Railroad's equipment now or hereafter mounted on, or directly connected to, the line's facilities, notify the Power Company's local division superintendent of the plan to do such work.

9. (a) The Power Company agrees to pay an "annual fee," in advance for the succeeding year. The first payment of the fee shall be due on the first day of the month following the closing of the sale and annually thereafter, and shall be in the amount of Ten Thousand Seven Hundred Fifty Dollars (\$10,750.00). The annual fee is based on the rate of One Hundred Dollars (\$100.00) per mile per year.

(b) Should the Power Company remove or add all or a portion of the line from or to the Railroad's right of way, then, upon notice of such charge, the next annual fee shall be reduced or increased accordingly, as to the number of miles removed or added.

(c) (1) The Power Company shall, in addition to said "annual fee," pay to the Railroad, in accordance with the Railroad's standard schedule of charges, all costs for railroad equipment provided for operation on the Railroad's track and all associated labor and supervision charges incurred pursuant to paragraph 8 and in accordance with paragraph 3, above.

(2) For purposes of the charges authorized by paragraph 9(c)(1) above, the Railroad shall submit a statement detailing and itemizing the parts of its total, at least including: number of men involved, the applicable wage rate, and the number of hours; the equipment used and the allocable cost thereof, including applicable surcharges.

10. (a) The Power Company may maintain the Railroad's right of way only to the extent necessary to prevent natural growth or other obstacles from presenting a hazard to the operation of the line. The Power Company hereby undertakes no other obligation to maintain the Railroad's right of way, such being the general obligation of the Railroad. The Power Company will protect the line in accordance with all applicable federal, state and local statutes, rules and regulations.

(b) The parties shall undertake and accomplish their respective obligations regarding the right of way in a manner which does not hinder or impair the other's rights and obligations hereunder and the other's operations along the right of way.

11. (a) The Power Company has not purchased the Railroad's substation buildings and related equipment, and the Power Company agrees to remove line attachments and equipment which the Power Company owns from said buildings prior to June 30, 1978.

(b) Should the Railroad, prior to June 30, 1978, negotiate and effect the sale of real property whereon is located Power Company property, the Power Company shall, upon written notice from the Railroad, undertake the removal of its, the Power Company's, property and accomplish such removal within a reasonable time.

(c) If the Power Company's property removed under subparagraph 11(b), above, is an integral part of the line, or of the facilities by which the Power Company renders service from the line, the Railroad shall provide a suitable location, if available in the Railroad's existing ownership, for its reinstallation.

12. (a) The Power Company shall provide the Railroad Company with an adequate supply of electric power in the future at all locations where delivery of such power was made at the time of execution of this document. SUBJECT, NONETHELESS, to the

rates, rules and regulations, governing such service, of the Washington Utilities and Transportation Commission, its successors, and to the authority of any and all other regulatory agencies having jurisdiction.

13. Should it become necessary to relocate or raise or otherwise alter the location or placement of any part or of all of the line within the Easement Area for any of the following reasons, the costs thereof shall be borne as hereafter indicated:

(a) If necessary to permit construction of spur trackage to serve industry, the Power Company shall alter or relocate the line, without expense to the Railroad provided no other feasible route for such spur trackage is available.

(b) If made necessary by or for causes beyond the control of the Railroad (such as highway construction), the Power Company shall make such relocation of the line without expense to the Railroad.

(c) If for any cause fairly characterized as a discretionary or business judgment by the Railroad, the relocation costs shall be borne by the Railroad.

(d) Notwithstanding the foregoing subparagraphs, the Railroad shall, wherever possible or practical, provide locations for portions of the line relocated.

14. (a) The Power Company shall notify the Railroad promptly upon the permanent abandonment of the easement herein

granted or of any portion thereof. Upon such notice, the easement or portion thereof affected shall revert to the Railroad and the Power Company shall execute and deliver to the Railroad such instruments as may be necessary to effectuate or complete such reversion.

(b) Any failure by either party to comply with provisions hereof constitutes a "breach" of this agreement. A breach alone is not grounds for termination nor for legal action.

(c) Upon a "breach," the offended party shall notify, in writing, the breaching party, informing the latter of the time and circumstances of the breach and recommending a cure therefor.

(d) Failure by the breaching party to cure, by any means, a breach, notice of which has been given, within thirty (30) days of the notice, or such other time as the notice may specify, is substantial breach of this agreement entitling the offended party to seek legal action.

(e) The parties hereto recognize that the nature and scope of operations and performance hereunder may preclude immediate cure of noncompliance herewith, and therefore warrant to one another that, in giving notice under this paragraph and, generally, in the performance hereof, they shall adhere to fundamentally reasonable standards.

15. (a) Should the Power Company cease to utilize a portion or all of the Railroad's right of way, for any reason,

the Power Company shall, at its sole cost and expense, remove, within a reasonable time, from the Railroad's right of way, or the portion thereof affected, all structures and appurtenances herein authorized and restore said premises to the contour there attending.

(b) Provided, however, in remote areas or other locations where it would be impractical to do otherwise, the Power Company is authorized to leave the structures, after severing them, on the Railroad's right of way, provided that such action is in full compliance with applicable laws and regulations and is approved by the Railroad's chief engineer.

16. The waiver of or the failure by either party to assert the breach of any condition, covenant or agreement herein contained to be kept and performed by the other party shall in no way impair the right of the nonbreaching party to avail itself of and assert and take action upon any subsequent breach thereof.

17. This agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

18. This agreement shall be construed and interpreted, and is executed subject to, the laws of the state of Washington.

19. Notices herein required shall be sufficient if sent, Certified Mail, Return Receipt Requested, in the United

States Mail, addressed to the President of the respective companies at the addresses hereinabove designated.

20. In the event the Railroad shall permit any other railroad company or companies to use its said railway facilities or premises, such other user or users shall have the benefit of the hold harmless and indemnity provisions inuring to the Railroad hereunder, with the same effect as if such other user or users were parties hereto.

21. (a) The Railroad shall execute such additional documents as the Power Company may deem necessary for the clarification or perfection of the title to the various properties conveyed to the Power Company by the Railroad in connection with the line.

(b) The Railroad shall cooperate with the Power Company's efforts to obtain any and all licenses or permits that may be required for the line's operation. The Railroad shall allow the Power Company's employees and agents to examine the Railroad's records, accounts, and books concerning the line.

22. This is the sole agreement between the parties relative to the operation, maintenance, repair, improvement, relocation, alteration, and replacement of the line by the Power Company on the Railroad's right of way. All previous agreements are hereby superseded.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be executed as of the date first herein written.

CHICAGO, MILWAUKEE, ST. PAUL
AND PACIFIC RAILROAD COMPANY

Attest:

Secretary By _____
President

PUGET SOUND POWER AND LIGHT COMPANY

Attest:

Secretary By _____
President

May 2, 1977

Mr. Paul Dean Santos
President
PDS, Inc.
4449 Feigley Road, West
Port Orchard, Washington 98366

Dear Mr. Santos:

Referring to your letter of April 21 about contracting for the removal of materials on the Milwaukee Road right of way resulting from the discontinuance of electrified operation.

Whatever decisions we make, I am sure, are based upon business judgment and I have complete confidence that our people most knowledgeable and directly involved will continue to make the best decisions for the Milwaukee Road. The fact that your letter is copied to the Washington Congressional delegation will not alter business decision and I am curious as to just what you mean by additional investigation by Congress. I assure you that I am not particularly impressed with these kinds of pressures.

With reference to the next to last paragraph of your letter, I would like to point out that it is completely erroneous to comment that railroads are subsidized by the government. I am sure you must know that they are not and I don't quite understand what the intent of your comment really is.

The validity of your proposal will again be reviewed and further contact will come through channels of communication you already have established with our company.

Sincerely,

Original Signed By
Worthington L. Smith



bc-Messrs:

P. F. Cruikshank]
W. H. Ploeger] Would you gentlemen please discuss what, if anything should be
B. J. Worley] done to deal with this situation.

R. K. Merrill
P. C. White



April 21, 1977

PDS INC.
4449 Feigley Rd. W.
Port Orchard, Wa. 98366

President
Milwaukee Railroad
Worthington L. Smith
516 W. Jackson Blvd.
Chicago, Illinois, 60606



Dear Sir:

On September 29, 1976, Mr. Paul Santos of this company contacted Mr. George Frazer of the Milwaukee Railroad seeking information to the effect, did the Milwaukee Railroad have any pole lines, wire or hardware which was excess and they would like to have removed.

Mr. Frazer stated they had some trolley line both steel and aluminum which were in the process of being removed and he would like PDS to come in and talk about removal of this line. A meeting was arranged with Mr. Frazer, Mr. Butler, two other railroad employees and Mr. Santos of PDS. At this meeting the length of the area to be covered and the amount of material involved were discussed. Mr. Frazer thought possibly a small area should be done first but this idea was discarded and PDS agreed to remove more miles of steel than aluminum thereby saving the railroad both time and money. Mr. Butler expressed the opinion that Mr. Frazer should handle the negotiations from here on. On October 15, 1976, Mr. Frazer mailed Mr. Santos a sample of the material involved.

The last week in October Mr. Santos was invited (and accepted) on a High Rail ride of the proposed area. This area included Tacoma to Black River and Easton to Othello. At the end of this ride Mr. Santos discovered a large amount of copper wire in the Othello Switch Yard which the Railroad Representative indicated they would be more than happy to include in the bid package.

More phone calls and meetings took place during November at which time Mr. Frazer stated he needed to talk with the Local Purchasing Agent before he could finalize a contract. He further indicated he had the authority to enter into a contract with PDS.

On December 3, 1976, Mr. Frazer of the Milwaukee Railroad and Mr. Paul Santos and Mr. Richard Coy of PDS, held a meeting in Mr. Frazer's office in Tacoma. Mr. Frazer stated his estimates of removal were \$197,000 and 16 months straight work. His estimate of salvage value was \$150,000 but a phone call to one of his associates impress him that his figures were inflated. Based on Mr. Frazer's figures of mileage and amounts PDS indicated a salvage value of \$113,000 based on current

salvage prices. Mr. Frazer stated he felt the railroad should receive in excess of 50% of the salvage value for the work they, the railroad, would perform. It had been understood from the beginning that the railroad would drop all wire and hardware to the ground where PDS employees would remove from site and deliver to salvage yard for sale. Mr. Frazer felt that railroad employees would be doing in excess of 50% of the work based on the theory of 2 men to drop catenary wire and 2 men to drop mast arms and pole hardware, verses 3 men reeling wire as was being done in Montana. PDS explained that the railroad dropped the material wherever it was and a salvage train was required to retrieve this material. This is a 63% ground operation not including separation, shipping, and office expense.

It was proposed by PDS that a 70-30 split of the salvage value would be sufficient to reimburse the railroad for their services and the removal would be achieved with no loss verses \$79,000 loss if their, the railroad forces, removed the entire line.

Mr. Frazer stated he had to go east the following week and would be in contact with his supervisor. He further stated they would discuss this offer from PDS and he would contact PDS when he returned to Tacoma.

Upon his return he informed PDS that his office had opted to ask the Head Office of the Milwaukee Railroad to budget the money for their own forces to remove this line. He stated if this plan did not materialize he would contact PDS after the first of the year.

It is requested that an explanation as to why the railroad is acceptable to a proposal that they loose \$79,000 verses a no loss offer which should be more acceptable. As railroads are subsidized by the government it seems strange that they are willing to except an offer which is clearly a losing proposition.

A copy of this letter is being extended to the Honorable Warren G. Magnuson. Additional investigation by Congress is requested.

Sincerely,



for Paul Dean Santos
President PDS

Copies to:

Senator Warren G. Magnuson
127 Russell Senate Office Bldg.
Washington, D.C. 20510

Senator Henry M. Jackson
127 Russell Senate Office Bldg.
Washington, D. C. 20510

Representative Norm Dicks
1508 Longworth House Office Bldg.
Washington, D. C. 20510

Mr. W. H. Ploeger
Vice President Milwaukee Railroad
1326 5th Ave.
Seattle, Washington

Mr. George Frazer
Milwaukee Railroad
2815 Milton Ave. East
Tacoma, Washington 98424

Mr. Jack Scribner
Pacific Iron & Metal Co.
P.o. Box C-3637
2230 Fourth Ave. South
Seattle, Washington 98]24

Milwaukee Road Electrification Invoice

Michael Sol
101 E. Broadway # 300
Missoula, MT 59802