

ORIGINAL

Decision No. 52809

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)	
THE CALIFORNIA OREGON POWER COMPANY)	
for authority to enter into contract)	Application No. 37724
with the United States of America)	
for regulation of Link River Dam, etc.)	

OPINION AND ORDER

By the above-entitled application The California Oregon Power Company requests an order of the Commission, under Section 532 of the Public Utilities Code, authorizing it to carry out the terms and conditions of a special contract with the United States of America, dated January 31, 1956, providing, among other things, for the operation by applicant of Link River Dam in Oregon and for special rates and charges for irrigation and drainage pumping service in the Upper Klamath River Basin. A copy of said contract, designated as Contract No. 14-06-200-5075 is attached to the application as Exhibit B.

Prior Contract

Applicant now operates Link River Dam located in Oregon, which controls water releases from Upper Klamath Lake, under a contract dated February 24, 1917, as amended^{1/}, said contract expiring in 1967. Applicant's East Side, West Side, Keno, Copco No. 1, and Copco No. 2 hydroelectric plants, the first three located in Oregon and the latter two in California, with a total rated capacity of 51,560 kw, all use water from Upper Klamath Lake. As part consideration for the right to regulate the flow of water to these plants,

^{1/} The original agreement of February 24, 1917, and four supplements dated, respectively, January 28, 1919, April 27, 1920, December 10, 1920, and September 10, 1931, were filed with the Commission on November 13, 1941. The fifth supplement, dated April 22, 1941, was filed with the Commission on November 5, 1941.

applicant agreed in said contract to furnish power at stipulated rates for all pumping requirements for irrigation and drainage of lands deriving their water supply in connection with the works of the Klamath Project of the U. S. Bureau of Reclamation. Such stipulated rates are lower than applicant's filed tariffs for agricultural power service in California.

New Contract

Applicant and the United States, through its Bureau of Reclamation, have entered into a new agreement dated January 31, 1956, which will supersede and cancel the original contract and all amendments thereto. The new contract, as did the prior contract, provides for applicant to regulate the level of water in Upper Klamath Lake for a term of 50 years from its effective date. The effective date is stated to be the date of its approval by the Public Utilities Commissioner of Oregon or by the Public Utilities Commission of the State of California, whichever is the later.

As consideration for the new contract applicant has agreed to provide electricity for pumping purposes at the rates contained in Schedules A and B of the contract. Rate Schedule A, which is applicable to pumping Klamath water for use on Project land and for drainage of Project land, reduces the presently effective rate for this service from 7 mills to 6 mills per kilowatt-hour. Customers entitled to the rates provided in said Schedule A are the same as those entitled to the corresponding rates in the 1917 contract. Rate Schedule B, which is applicable to pumps operated by the United States, or its successors in interest, for pumping water from Tule Lake sumps and Lower Klamath Lake sumps and for irrigation within the beds of Tule Lake and Lower Klamath Lake, reflects no change in presently effective rates. These

rates are 5 mills per kilowatt-hour during peak hours and 3 mills per kilowatt-hour during off-peak hours.

Applicant states it served 30 customers in California under the 1917 contract rates, as amended, which would be replaced by Rate Schedule A of the new contract. Revenue from this service amounted to \$4,852.79 in 1955. Had the rates provided for in Rate Schedule A been in effect during 1955, revenues from such customers would have been \$4,383.73, a reduction of \$469.06.

In addition to the benefits accruing to applicant under the operation of the original contract as well as the new contract, applicant states that the obtaining of a new 50-year contract for the operating of Link River Dam will enable it to accept a license from the Federal Power Commission to construct and operate on the Klamath River in Oregon a hydroelectric project known as Big Bend No. 2, having a rated capacity of 50,000 kw and using water from Upper Klamath Lake. The acceptance of said license is contingent on the approval of the new contract herein submitted.

Applicant's Position

Applicant states that its regulation of the flow of water from Upper Klamath Lake through the operation of Link River Dam is required for the efficient operation of its present hydroelectric plants which use this water supply. Operation of the dam permits conservation of water at times of scarcity on occasions when low-cost power can be purchased, and provides peaking capacity through the regulated release of water at the time of greatest need. Furthermore, execution of the contract will allow it to increase such peaking capacity by its Big Bend No. 2 project.

Applicant is of the opinion that the rate provisions of the contract are reasonable and in the public interest and that the

benefits to be derived from extension of the contract for some 39 years will inure to all of applicant's customers and will more than offset the relatively slight reduction in revenues provided for in the new contract. Applicant states that it knows of no opposition to its entering into the new contract, and, in view of this as well as the benefits to be derived from the contract, it asks that this application be granted by ex parte action.

Conclusions

The Commission in Decision No. 49417 dated December 11, 1953, in Application No. 34349, the most recent rate increase application of this utility, commented respecting the prior contract of February 24, 1917, which the new contract of January 31, 1956 cancels and supersedes, as follows:

"We have reviewed applicant's contract with the United States, as amended¹ and as accepted for filing with this Commission, which sets forth rates for irrigation and pumping power used in connection with the Klamath Reclamation Project of the U. S. Reclamation Service. Although these rates are lower than presently filed tariff for Agricultural Power Service, we find no unreasonable discrimination in the application of said contract to the particular circumstances pertaining to power deliveries accorded special rate treatment therein.

"¹/ The contract bears a date of February 24, 1917 and runs for a term of fifty years."

After considering applicant's statements and the facts relating thereto we conclude and so find that there is no unreasonable discrimination in the application of rates and charges for electric service contained in the contract of January 31, 1956, under the particular circumstances here obtaining. Being of the opinion that the application should be granted and that a public hearing is not necessary; therefore,

IT IS HEREBY ORDERED that The California Oregon Power Company be and it is authorized to carry out the terms and conditions of the written contract dated January 31, 1956, with the United States of America, Department of the Interior, Bureau of Reclamation, in so far as it pertains to the California operations of applicant.

The effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California, this 27th day of March, 1956.

John E. Mitchell
 President

Justus F. Casner

Paul G. Lutenier

Markus J. Farley

W. H. Hardy
 Commissioners