

Decision No. 53658

ORIGINAL

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
for regulation of Link River Dam, etc.)	

Brobeck, Phleger & Harrison by Robert N. Lowry and Malcolm T. Dungan, for applicant.

California Farm Bureau Federation by J. J. Deuel, Bert Buzzini and Joseph Q. Joynt; California Klamath River Commission by Bert A. Phillips and Robert B. Bond; Herald & News, Klamath Falls, Oregon, by R. W. Hubbell for News Editor, Max Wauchope; interested parties.

Harold T. Sipe, for the Commission's staff.

SUPPLEMENTAL OPINION AND ORDER

On March 27, 1956, this Commission issued Decision No. 52809 in the above-entitled matter authorizing applicant, The California Oregon Power Company, to carry out the terms of a contract dated January 31, 1956, with the United States of America, Department of the Interior, Bureau of Reclamation, in so far as such contract pertains to applicant's California operations. The contract provides, 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.

Authorization to carry out the terms of the contract was granted on an ex parte basis without public hearing, in part, upon applicant's statement that it knew of no opposition to its entering into the proposed contract. Subsequently, on April 11, 1956,

applicant filed Application No. 37918 for approval of an agreement offering reduced rates to members of the Klamath Basin Water Users Protective Association. One basis given as the reason for this latter agreement was that the Klamath Basin Water Users Protective Association entered strenuous objection to execution of applicant's new Link River Dam contract and withdrew such objection only upon provision being made for off-project pumping power at $7\frac{1}{2}$ mills per kwhr rate as set forth in the agreement with the Association. It therefore appeared that there was some opposition to the Link River Dam contract, consequently, on April 17, 1956, the Commission reopened this matter for hearing to determine whether Decision No. 52809 should be revoked, altered or amended in any particular.

Public Hearing

After due notice a public hearing was held upon this application on May 8, 1956, before Examiner M. W. Edwards at Dorris, California. Hearing also was held at this time upon Application No. 37918, the two matters being joined for purposes of hearing. Applicant presented testimony by one witness and two exhibits in support of its position that Decision No. 52809 should not be revoked, altered or amended in any particular. The California Farm Bureau Federation took the position that this Link River Dam contract is of benefit in development of the Klamath River Basin. The Commission staff, through an electrical engineer, cross-examined the witness for the purpose of fully developing in the record for the Commission to consider the facts concerning this application and upon submission of the matter at the close of the hearing, stated it was in accord with the application.

Rate Schedule "A"

As previously pointed out in Decision No. 52809, Rate

Schedule "A" is applicable to pumping of Klamath Water for use on Klamath Project land and for drainage of Klamath Project land within the Upper Klamath River Basin. A rate of 6 mills per kwhr is provided which is one mill lower than the former rate for this service under the 1917 contract, as amended. Applicant's Exhibit No. 1 shows that for the year 1955 the 30 customers under this rate consumed 532,216 kwhr at a billing of \$4,852.79. Under the new rate the billing would have been \$4,383.73 or \$469.06 less. This exhibit also shows that if these customers were billed under Schedule No. 20, the appropriate filed tariff schedule for this service, the revenue would have been \$11,091.23.

Rate Schedule "B"

Rate Schedule "B" is applicable only to the pumps operated by the United States, or its successor in interest, for the removal of water from Tule Lake Sumps and Lower Klamath Lake Sumps and any drains leading thereto or therefrom and for power used to pump such drainage water for the irrigation of the areas lying within the beds of Tule Lake and Lower Klamath Lake. Rates of 5 mills per kwhr are provided for on-peak pumping and 3 mills per kwhr for off-peak pumping. Such rates are at the same level as provided in the 1917 contract, as amended. Applicant's Exhibit No. 2 shows that for the year 1955 the 23 accounts under this rate consumed 8,615,806 kwhr at a billing of \$32,462.64. This exhibit also shows that these accounts, if billed under Schedule No. 20, would have paid \$97,339.84.

Link River Dam Amortization

Under the 1917 contract the applicant had to make an investment of \$345,000 in the Link River Dam which was conveyed to the United States in exchange for the 50-year rights of regulating the water through it. Under the new contract, applicant

is granted this right for another 39 years without the requirement of further capital investment. Applicant was amortizing this investment over the 50-year term of the original contract. As a result of this new contract, the period in which the Link River Dam must be amortized has been correspondingly extended and applicant will reduce the annual charge from \$8,690 a year to \$1,887 a year.

Discussion

Compared to the filed tariff, Schedule No. 20, applicant is not receiving some \$6,700 per year on the "A" schedule and some \$64,800 per year on the "B" schedule, but is saving about \$6,800 per year in amortization expenses. This is a net total amount of roughly \$65,000 per year not being received. Applicant contends that the right to regulate the flow in the Klamath River for another 39 years and develop more hydro capacity thereon is largely offsetting of this amount. With regard to the special rate to the United States, applicant does not consider it to be a concession of any sort, but instead considers it to be a reasonable price to pay for the advantages received for itself and its customers under the contract.

Applicant states that its approximate cost of energy is 4.54 mills per kwhr for production and 1.65 mills per kwhr for transmission and that the 6 mill rate for pumping on project land will largely recover these direct costs. Applicant mentioned that there are other costs involved in this pumping but holds that these are clearly chargeable to the system as a whole because of the contract which enables cheap hydro power development and protection of the existing investment on the Klamath River.

The Commission in general agrees with applicant's position regarding service to the United States under Schedule "B", inasmuch as General Order No. 96, Section X(B) permits reduced rates to governmental agencies such as the United States and its departments.

However, the service under Schedule "A" to individual customers is a different matter because in addition to the production and transmission costs mentioned by applicant there are distribution, customer and other costs. Granting applicant authority to enter into this contract with the U. S. Bureau of Reclamation could therefore constitute an undue burden on its other customers. This matter is not being decided at the present time as there is no proposal to increase rates to other customers to make up for the indicated annual deficiency resulting from the Bureau contract.

O R D E R

The California Oregon Power Company having filed the above-entitled application and the Commission having heretofore by ex parte action approved such application by Decision No. 52809, public hearing having been held thereon to determine whether this decision should be revoked, altered or amended in any particular, the matter having been submitted and it being the opinion of the Commission that this prior action should not be revoked or altered, but amended to include therein the opinion part of this decision; therefore,

IT IS HEREBY ORDERED that the Commission's prior action, Decision No. 52809, in authorizing the contract dated January 31, 1956, between the applicant and the United States of America, Department of Interior, Bureau of Reclamation, is affirmed and the opinion part of that decision is hereby amended to include therein the opinion part of this decision.

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

Dated at Los Angeles, California, this 29th day of August, 1956.

Robert E. Mitchell
 President

Justin S. Coleman

Robert L. Hester

William H. ...

R. ...
 Commissioners