

Peri. Canal Debate, U.C.R., 5/10/82, org. by D. Glatz

ask gus. as go along

HGS re Peri. Canal

Chuchez la rente

Intro

Cato.

Chuchez la rente - to unravel mysteries.

E.g. Interjurisdictional comp. for taxes on energy.

E.g. Owens Valley.

Approach wto. desert, this way.

1. Catalogue of rent-sources. Dramatis personae

a. Land, surface.

Inside
MWD

i) Irvine, Newhall, Kaiser-Aetna, Disney (Redlam),
Greenbelt specs, Sycamore Canyon, 3 owners, etc.
Want to pull a new version of your basic Mulholland Memorandum.

Outside
MWD

ii) Getty, S.P., Tejon, Chevron, Union, et al.
Ctn. barons. ("Rigger")

iii) Bonwell, Salzer. "Wet" ctn. barons. Ambivalent
They get Burns-Potter wtr. Current exploiters, future patrons.

iv) Pigeons. Small owners in older cities.
Basic "contractors", liable for bonds.

v) Delta. Ransom artists - want to extract max.
Schmerzgeld for min. damages. E.g., guaranteed levee repair.

We thought Wright Act solved all these problems.
Lincoln Stephens. Dehydrate apples of discord.

But Wright Act inspiration has been perverted over the years.

- Property based voting. Irvine Ranch WD e.g.
 - X - subsidy, feed spec. fringes. In Wright Act Districts, are many local improvement dists.
 - MWD, non-rep. Bd.
 - Can capture & waste wtr, the 2d rate - waste.
- Ht land tax, low wtr. charge.

b. Water, (for wtr. supply)

i) Good local ~~src~~ sources.

- Claimed long ago.
- No pressure to use well:
 - No price charged: $\therefore$ demand always $>$ supply
 - No prop. tax
 - Hard to xfr.

Being wastefully used, creates pressure to import, long before used.
My Keweenaw study, & CVP.

— Generating rents anyway, inspiring greed, hawks want to jump on pigeons, by "melding".

ii) Owens valley. Cheapest import. Lugo wants it back, or more ransom. Retro-active Cty. of Origin Law.

L.A. now wants to take groundwater.

Higher rent now attaches to this wtr, at both ends, so old fight renews, escalated to higher level of intensity. E.g. Mono L., once considered a hell-hole, has now become a nat. treasure.

iii) Colo R. 2d Cheapest import.

Ariz. waited in wings, grabbed big chunk.

Feds. subsidized CAP, \$2.4 B.

MWD seized on this to promote Peri. Canal.

Again, no price charged. Cur contraire, get fed. subsidy to take wtr. So, natl. demand > supply, long before there is any natural scarcity. Phoenix has ample wtr, (brimming canals, Salt + Gila R. (also fed. subsidized).

But wait. Flash! Granite Reef Aqueduct to be finished on schedule, '85, but only $\frac{1}{4}$ or so of capac. will be used bes no one will take

the water! Lack of fed. subsidies for local I.D.
 distrib. systems! City treatment plants not ready.
 Indians not ready. Son of Mulholland!
 Son of a bitch — this is where I came in!

Cd. this he has. Ariz. I.D. ~~top prop~~
 boards rep. land, not people?

Imperial I.D. No pay for water.
 Can hold us up. Waste. Takes 3 or 4 times more water.
 We can get back. Non-utility priority.
 If P.C. fails, MWD can back that. Voters
 merely need to tell them, no longer do we
 prefer expensive engineering solutions.

iv.) Kern R.

c) 3d source of rent. Sources of cheap power.
 Hydro from best power drops
 gas

H. G. Brown had it right. Charge price hi
 enough to cover ~~MC~~ ^{MC}, then tax rent.

5

~~the~~ Our PUCs have evolved differently: limit profit
(public agencies, no profit). Price by ave. cost.

To make more extreme, use historical ave. cost.
so old plants factored in at old cost.

There are then "melded" in w. new costs, to
make price.

~~the~~ DWR has many power sources, e.g. Oroville
Dam. Meld in, undulate power cost.

2.5¢ in 1985, $\frac{1}{4}$ of our price.

d) Tidelands

2. Now comes DWR, put pieces together, build an
engineering empire, political pork barrel,
contracts for cement co. (more rent), etc.

so they put a proposal together.

First, overstate need. Scare S.C. w. wtr.
shortage. CAP.

2d, rule out commonsense cheap solutions.

Pass down the word thru law firm grapevine,
all xps. are impossible.

"Conservation" means drinking sewage, is
eccentric, utopian, etc.

3d, understate costs

- a. Overstate yield of canal. No one really knows. Leave out risk of yielding less. ^{San Jacinto study.}
- b. Leave out int. during constr.
- c. Put in int. at $8\frac{1}{2}\%$ — but on bond portion only.
- d. Leave out int. on Cal. Wtr. Fund.
- e. " " " " advance pmts. from contractors. (Profit is a no-no.)
- f. Understate power costs.

4th, understate elast. of demand.

~~Fact or the~~

In summary, we have a high cost & doubtful project to ~~save~~ perpetuate inefficient mismg. of rent-yielding wtrs. & underwrite unrec. or premature expansion.

Big spenders

~~Big~~ ~~spenders~~ ~~consumers~~, only \$10/yr./person. Ploy: it doesn't matter, so do it any way. If so, Hicksian consumed.

If canal is worth talking about at all, is worth evaluating on merits, not burying as small % of GNP.

Puget Sound Canal, Aut. May 8, 1982

Bud Farmer

1. Note air - Rain + Smog. Ea. has a word.
Not a rescue project, an expansion project.
2. Clair Engle Syndrome
No bicker; get more.
Real man! Real men don't consume.
Cons. is for sinners: the man wants his hydro-imperialism.
Klamath ...
Real men are big spenders.
3. Why oppose PC?
 - a. Expensive, uncertain 1 -- all changed to us. Protect the north.
 - b. Cheap alternative, aborted by PC.
 - c. Distribution of costs & benefits is inequitable
 - d. No is reversible; yes is forever.
4. Expensive, uncertain.
 - a. Uncertainty
 - Fish screens
 - Anasaito modeling suppressed
 - New idea, never done before.

Risk discount needed. 700,000 of it is best case.

Mormakers, "Even if no yield, still justified." Sitting us up for bad news?
 - Delta wtr. quality has no objective measure
 - No Fed. sharing of wtr. quality info.

a big price we pay for votes from E. side

- 2
- ~~Also~~ Recapture by Cities of origin
 - Inherent hazards of long line.
 - San Luis out this winter
 - Earthquake
 - Sabotage
 - Subsidence
 - Energy cut-off or prohibitive scarcity.

b. Expensive. (Full of pork) (also ransom)

i. Cap. Cost

\$5 B w/o int.

17 B w. int., partial, $8\frac{1}{2}\%$

Is Alton Post biased? Yeager said he was —
 yes, he included int. I seriously doubt if Yeager
 made a successful career by overlooking int. cost in
 his own business. If he did, I'd sure like to
 borrow from him.

Agata says a \$100,000 house is called
 that. True — but you move in right away.
 P.C. takes 15-20 yrs. to build. Another 20
 yrs. to be fully used.

Standard fuel, practice is to include
 int. during constr. in cap.

(Alty. discount sales value of wto to present,
 so \$500/9¢ becomes \$100)

$$\frac{17 B}{500,000 \text{ at}} = \$34,000 / \text{at} \quad \text{cap. cost.}$$

@ 16% = \$5440 / at ^{including power} yrlly. cost.

cf. Reside current cost \$25 / at, $\frac{5440}{25} \approx 220 \times$

cf. Littleworth \$100 / at, $\frac{5440}{100} = 54 \times$

ii. Energy Cost.

Depends on price / kwh. The no. of kwh is less controversial.

$$\frac{\Delta 50 \text{ Kwh}}{\Delta 700,000 \text{ at}} \approx 7000 \text{ kwh/at, less credits}$$

Say 5,000 kwh.

@ 10¢ by 2000 AD, \$500 / at

Add to K cost of 5,000 / at
Σ = 5500 / at

iii. DWR tends understate costs

- Int. @ $8\frac{1}{2}\%$
- No int. on contractor's equity, "SWP Rev.

X for "

- $4\frac{1}{2}\%$ int. on Cal. Wtr. Fund acct.
- Understate elast. of demand.
- Underprice wtr. by hidden subsidies, plus

Δ volume, to spread o' load.

Meld old & new wtr., raise rates to old customers to subsidize new. Like saying Manhattan is worth 924.

b. Cheaper alts.

o. Price wtr. + allow xfr.

E.g. me. 20 ac/y, 2 acres, low cost.

One family at $\frac{1}{4}$ ac, wtr. for 80 families.

My aces. worthless - bcs. MWD has helped double bearing acreage.

Can't sell wtr.

To p. 4, notes.

c. Inequitable distrib., costs & benefits.

- ~~Inside R-side~~ Raise rates on old, to
subsidize new

- Inside R-side

- Inside MWD, Irvine, Newhall, Kaurer.

Retlaw, et al.

- Outside MWD, Ctn. Barons (of the
driver persuasion)

The old Mulholland Manoeuvre. Sort of ---

(Jeopardy: might use revs. first for Rev. Bonds, use taken for G.O. bonds,
all authorized before P-13.)

d. Prudent at best

No is reversible

Yes is forever - a blank check.

Pat Brown rep'd a SJV wtr. district.
that wd. have lost \$400 M if hadn't gotten
MWD wtr. in 1976-77.

He said so, June 1, 1982. 1440 AM died

PE, 5/29/82. p. B-3

Ron Morris, "Issues Abound..."

San Bern. Valley MWD, spreads wtr. from SWP.
Groundwater has risen too high. flooding basements.
But they go on spreading. Election challenges result.

SBV MWD wholesales SWP wtr. to local agencies,
too.

There is also a SB Cty. W.A.

To help solve power shortage, ~~stop~~ block PC etc.
Release power. Cd. be start of a Cal. TVA!

Themes + data, P.C.

Got to stop mty. like this.

Rain each time Anna + I meet. God at least is on my side.

A. ac pricing.

1. Power

Littleworth says o.c. is imaginary. hist. cost is real. Has it backwards.

I'd love to buy his house on this basis.

DWR cheap power

Oroville 2-2 $\frac{1}{2}$ B kWh/yr.

Old contracts

2. Wtr.

Meld new P.C. cost + old SWP cost

Then MWD melds cheap local sources w. SWP wtr.

Then R-side melds Sta. Anna w.

B. Cost per capita low?

Dirksen

You pay in other ways, not added in: higher power rate;
loss of tidelands

$$\$1B / 10M \text{ pop.} = \frac{1000}{10} = \$100 / \text{cap} = 400 / \text{family}$$

$$@ 15\% = \$60 / \text{yr.}$$

$$20B / 10M$$

=

$$2000 / \text{cap} = 8000 / \text{family}$$

$$@ 15\% = 1200 / \text{yr.}$$

Cf. p. 9

C. Why did Yeager ~~just~~ say Port was loaded? Bus.
included int.

D. Why int? Pay now, benefit later.

Clyde says a 100,000 house is one that
costs that today. True - but you move in today.

Anything you bld, int. during constr. is
added to K cost, keeps accruing until cash flow
rises to offset it.

When you start paying off, debt service is mostly
int., too - doesn't stop ~~at~~ when go on stream.

E. Ayala + Thomas have said they're tired of hearing counter-arguments. If so, shut go home. I've been at this 25 yrs + I'm tired of this line

F. One family uses?
One a.f.?

$$200 \text{ g/d} = 73,000 \text{ g/y}$$

$$7 \text{ g/cu. ft.} \times 43,560 \approx 305,000 \text{ gals/a.f.}$$

$$\frac{73,000}{305,000} = .24$$

$$\therefore 200 \text{ g/d} = \frac{1}{4} \text{ a.f./y}$$

G. Ctn. barons

Old-wtr. ^{crq.} barons of the wetter persuasion, Rowell + Sulzer. Don't want to be added in to a hi-risk, hi-cost scheme. Are smart enough to know their interest. Current exploiters, prospective parties

H. "Contractors"

Who? MWD or WMUD?

F. 1 use 10 af/a. Base stock lets anyone do so.
 If one ~~farm~~ ^{person} uses $\frac{1}{4}$ af, that serves 40 ~~families~~ ^{persons}
 2 acres, wtr. for 80 ~~families~~ ^{persons}
 1 @ \$1,000/a now, or less!

I. No pressure to use wtr.

They speak slightly w/ly of concern. as eccentricity. last desperate resort. Drinking sewage.

J. Solution. 0. Don't panic. Ariz. will take decades to use.
 Rahr has cut wtr. use $\frac{3}{4}$ due to severe drought.

1. ~~Don't~~ "conserve" - just price wtr. by ^{real} cost of new supply.
 2. Stop subsidizing growth. E.g. in R-side, charge bid lands for pumping.

3. Stop subsidizing peak use. E.g. R-side, Mills wtr. in Aug., costs 4x more, sold at same price.

4. Use local ground basins, store surplus

5. Bank surplus Colo. wtr. - use storage.

6. Use present entitlement, now waiting

Swap for Kern R., ASAP

7. ~~Be prepared~~ Facilitate wtr. xfers. (Law gives domestic priority)

8. Invert rate structures

9. Go after Imperial waste. Use urban priority, money, votes. If lawyers obstruct, get a new lawyer, a Can-Do lawyer. 15

K. Sen. Clair Engle.

Let's not bicker . .

Go up a, & get more!

a real man. Real men don't conserve; ~~sissies~~ ~~conservation~~! Conservation is for sissies; a he-man wants his hyper-imperialism.

Klamath, Columbia, NAWAPA.

L. a no vote is reversible

a yes . . . forever.

E.g. Russ. Portus, squeaked by. Now wire stuck, expensive, obsolescent white elephant.

Still sniff; songs of roarin, 60s, cheap energy, resource optimism, cheap money.

Blank ck. to DWR. Lien on us. Maybe exempt from P-13, but wtd. mortgaged.

M. Klamath moral.

N. ~~Costa~~ C.A.P. panic button now jammed.

Manicopa City. gang wants more handouts. Demand not ready. Son of Mulholland. SOB - this is where I come in.

0. Understate Costs of P.C.

1. Overstate probable yield. Best case.
No risk of lower yield factored in.
Samsel's study requested
Mosemaker: "Canal very, even if no more wtr." For whom? We pay, Δ gains.
2. Omit int. during construction.
Leaper quit Curb over this, citing as evidence of bias.
3. Omit int. on contractors' equity (i.e. proposed rate Δ s in advance of wtr. delivery) "SWP Rev. x frs"
4. Omit most int. on Tidelands \$ in CW Fund
5. Under pressure, calc. int. at $8\frac{1}{2}\%$, legal max.
- on part of cap. only, the bond-forced part. \$11 B.
6. Understate power cost. Mtd in old + cheap, e.g. Orville,
Underst. new. Reid. Gardens.
7. Understate elast. of demand
8. Mtd cost of new + cost of old, - at 1960 prices, - and attribute resulting ave. to new wtr.
Raise rates ~~in~~ to prevent customers, to subsidize new.

P. Who wants P.C.?

It is for benefit of Delta. We pay.
Delta doesn't want it. Went cheaper & cleaner.

Q. Hi risks inherent in remote sources.

Shd. not subsidize growth anyway, but this is added reason.

R. Summary:

a. hi cost, hi risk Δ to supply
To perpetuate sloppy, ineffic. manage. of local wtrs
& subsidize urban sprawl & the shelter horticulture
in a polluted airshed

Big spenders pull the old % of GNP growth.
" \$10 / ~~person~~ family : 1 figure \$8,000 / ~~family~~ family.

In either case, Dirksen answered.

S. State Deficit. Nat. deficit. No time to waste
K.

T. ~~Costs are not~~ They say costs disagree. I've
not heard one support PC

B. \$1 B / 100,000 af $\approx$ \$1430 / af. cap. cost

Annual @ 16% = 228

17 B / 500,000 af = \$34,000 / af cap. cost

Annual cost @ 16% (14% int. + 2% for risk, curin, obsolescence) = \$440

Approach 1.

$$\frac{500,000 \text{ af}}{10,000,000 \text{ pop}} = \frac{5}{100} = .05 \text{ af/cap.}$$

$$= .20 \text{ af/family}$$

Approach 2. Littleworth says cost = \$100 / af
and this is \$10 / family per yr.

So he's saying family uses 1/10 af/yr. They really use more - say .25 af/yr.

On top, they're paying for more wtr. for others whom they carry.

aa. 10 B kWh needed by 2000 - AWR
 10 B kWh @ 10¢ = \$1 B/yr.

$$\underline{\$1 B / 2 MAF = \$500 / \text{af ball park.}}$$

PL increment needs 5 B kWh. @ 10¢ = \$.5 B/yr.

$$\frac{\$500,000,000}{700,000 \text{ af}} = \$714$$

Less some credit for power recovery
 " " " " of peak pumpj

Say \$500/af

Ruth Anderson

Political: Things added to get fed. support.

Unlined canal.

600,000 at/y now

But 1 MAF if fed. support.

SB-200 puts delta guarantees into contract.

Ann Thomas

600,000 at loss to Ariz.

1.2 m entitlement, reduced by 600 m af.

31 contractors. MWD is one. (But only one in south)

Tim Brick

Burns - Porten included Glen

" " was to dev. 4.2 m af for 1.75 B

actually 2.1 3.6 B

PC .6 5.4 B

Post used 12%, brought to \$19 B.

Dick Kelley

46 gal/day for grapefruit tree. Irreducible min.

Periph. Canal is all Wet

Issues

Cato

1. PW for port. profit.

Distr. aside, shd. we care? Yes, bcs. costs > profit.

2. Forms of rent

Rent in low-cost hydro

" " southern source wto.

D. Lincoln's idea

H. Brown's "

Regn. of price -- prohibition of profit. AC pricing, + ~~cost~~ ^{waste}.

Begin w. incational system, ~~not~~ hard to find the way.
"clock without, twisted cue, ..."

3. Good impulses can go wrong

- use it or lose it

- tax land, free wto

- "full devt." -- ignoring interest

- Develop the frontier.

Imperialistic variation of H.G.

4. To distrib. rent w/o waste

- Lifetime rates

- User taxes! More something, that moves.

5. Big spenders - ally w. land specs.

Kalish

1. L.A. opposed Brum-Porter
2. 1920s, L.A. decided to take ground wtr.
But immediately built 2d line to Mono Basin.
3. KWC sometimes has declined its entitlement wtr,
+ replaced it w. surplus wtr. Littleworth says no,
that is not so.

Vane

Mounaker

Is a lawyer.

1. Fish benefit is major reason for P.C.
2. High contracts w. delta wtr. agencies.
N. Delta wtr. agency e.g. They have rts.

Nonrellini Central Δ Wtr. Agency, a lawyer.

1. i.e. nat. San Luis (state share), assumed to be firm.
2. Contracts are excessive: 4.3 MAF.
3. No package can be put together to guarantee rts.
4. No standards are in SB 200
WCB sets them. Not neutral.
5. Police power of state is paramount, so contracts id. be
denied in dry yr.
Common pool is only protection.

Willey

1. No serious attempt to put \$ value on env. in A + Bay. It's more than striped bass.
2. No B/C anal. of PC ever made, alts. never studied.
3. WRCB is responsible for setting standards

Mountain. 1. Las Vegas res. is a bill ben. Negatively of Contra Costa limited on it.

2. CUP was built 1st, then looked for contractors SWB had to contract first.
3. Webb Tract, Feds. spent \$15m to repair bay, value of Tract and at \$6m.
4. PC is neg. "even if we don't get any more WTR."
5. Large canal ^{large} capacity due to:
 - Use of peak power
 - Release into A
 - Fed. WTR.

Lee

~~SWP~~ has to meet Δ wtr. qual, regardless of what
Feds do. There is no ~~gap~~ cap on BR expansion.

Novellino: wants wtr. to go thru Δ to maintain
physical common pool. This forces coop.

1960 Burr-Porter won by very narrow margin.

Nancy Moore (Engineer)

Running

Kumar

WROB formed, '56.

Little ~~John~~ North

1960 law says Δ gets same quality it wd
get in absence of SWP + Fed. plan.

State storage = 3 MAF

\$100 / A F cost = \$10 / family. per yr.
(but ea. family uses one af/y?)

200 gal/day = 73,000 gal/yr.

Nonnellini

1. Ag. must take 50% cut back, in SWP, before MWD takes any.
2. Cities may condemn farm wtr.

Johnson

1. acc - 90%^{p-8} any challenge must be in State Court. State Court has been ~~any~~ anti-south, or anti-div.

2. Fug's won't go.

3. Minimum Marsh requires 2 Maf., & it is guaranteed.

Baxter

Rdwr has cut down 3/4 on wtr. use, due to sewer charge.

Tucson has cut way back.

Lois Krieger

1. Is vs. majority ruled by minority.

Ayala

Bonds?

Cty of origin?

Points from Phil Lewson, 4/29/82

1. Oroville generates 2 or $2 \frac{1}{2}$ B kwh/yr.

2. A new coal plant in Nevada by DWR,
Reid-Gardner.

~~Generates~~ is to generate 2 B kwh or so.
DWR figures cost will be 4¢/kwh. More objective
observers suspect 8¢. But they are costing wtr. by
welding in this plant @ 4¢.

3. DWR sells Oroville power to PG & E etc. as
peak pow; then buys back dump power for wtr.
This makes some sense: hydro is premium peak power
if you have storage.

~~4. But~~

4. But why is DWR bldg. its own coal plant, in
another state?

Can DWR really outperform SGE, etc?

5. What is exempt from P-13 is tax to repay
old bonds issued in, or authorized in 1960 by
Bum-Porter.

Not clear if new ones wd. be exempt. Phil
thinks not. Ask Henry.

Levin

2

6. Cap on i.r. now 8%. Wd. have to life

7. Not clear that state cd. sell bonds