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WINFIELD AND OKANAGAN CENTRE
IRRIGATION DISTRICT

R. R. No. 1
KELOWNA, B.C.

The following remarks and comments to be submitted to the Public Utilities Commission at their second public hearing on Thurs. July 20th. 1944

The Engineering Department's report on the Irrigation rate question is very comprehensive, and will be of great value to the User in understanding of his irrigation water problems.

It has been impossible for the User to make a study thorough enough to present a brief of his criticism or objection to any of the points as set forth in the report.

The User would ask the Commission to take into consideration any point which though quite apparent to the Commissioners, has failed to be mentioned by the User.

The Trustees would like to know if the formula as set out in the report is the one which your Commission will use in setting a rate for this and succeeding years. Also will the User have the opportunity next year to present further evidence in regard to the Appraisal of Properties and Depreciations, or any other matter mentioned in the report.

There is a Water Agreement between the User and the Irrigation Co. which contains a clause to the effect that the rate charged shall not exceed $6.00 per acre. It is submitted that this should have a bearing on any rate set.

It is also submitted that this contract is part and parcel with the Agreement of Sale entered into between the Okanagan Valley Land Co. and the Purchaser or User.

In the brief presented to the Commission on December 15th. last, the Trustees pointed out that evidence could be secured from the Water Rights Branch as to the basis on which they set rates to be charged by the Irrigation Co. for several years. If this evidence has not been secured, or the conditions taken into consideration, the Trustees of the Irrigation District formally request that the Water Board give evidence before the Public Utilities Commission.

WINFIELD AND OKANAGAN CENTRE
IRRIGATION DISTRICT

(2) R. R. No. 1
KELOWNA, B.C.

July 20/44

The User notes that on Page 38 of the Report of Appraisal of Property it states that $265,627.01 was the original cost. A proportion of this amount should be subtracted, as the land originally purchased by the Okanagan Valley Land Co. was of no value prior to the installation of the irrigation system but was later sold at approximately $200 to ~~$225~~ $225 per acre (unimproved)

The Land Co. sold approximately 1,300 acres at this price thus SHOWING a GOSS profit of approximately $300,000.00, or in other words, enough to offset the installation cost of the system.

A similar operation was carried out in the Glenmore district, except that in this case the system was sold to the users at the end of about ten years for the nominal sum of $10,000.00. Other districts have followed the same scheme.

The User submits that the average depreciation allowed of 3.75% is too low, and notes that in arriving at this depreciation rate steel pipe is depreciated as low as 2% per annum, which is the same rate as allowed on concrete boxes.

Some lines have been replaced as many as three times in the 34 years that the system has been operating. It appears that a depreciation rate of 10% would be more in order on lines of this nature.

Pipe which has an estimated life of 25 years would probably have to be replaced 3 or 4 years earlier, as deterioration in the last few years is very rapid.

The User also holds that replacements that will be necessary in the next few years should not be capitalized at the full amount, as these replacements should have been made a number of years ago and in the ordinary course of events would have been heavily depreciated by now.

No new main line pipe (22" ϕ is shown prior to 1929. This is believed to be incorrect, and consequently the depreciation rate is too low.

The User notes that when the land was originally sold to the settlers

WINFIELD AND OKANAGAN CENTRE
IRRIGATION DISTRICT

R. R. No. 1
KELOWNA. B.C.

a rate of $2.50 per acre foot was charged for water and this has been steadily increased since 1909 and to-day the Users are paying at the rate of $6.00 per acre foot, which is the maximum allowed by an agreement dated March 15th, 1920.

The User holds that the Company was satisfied with their investment at a rate of $2.50 per acre foot at the time of selling the land to the Users, and that no new cost factor has entered into the operation, but that due to neglect on the part of the Irrigation Co. to set up a proper depreciation reserve , and to make replacements when they were needed, that the cost of these delayed replacements should not be a factor in setting a water rate.

The User holds that the depreciated value of the present system is very much less that $103,847.20