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Decision No. 13066

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

In the Matter of the Application of
SACRAMENTO VALLEY AND EASTERN RAILWAY
for leave to suspend service.

)
: Application No. 9364
)

Jesse E. Steinhart for Applicant.

Wm. E. Colby for W. E. French, Receiver of
Noble Electric Steel Company, Protestant.

BY THE COMMISSION,

O P I N I O N

Sacramento Valley and Eastern Railway, a corporation, has petitioned the Railroad Commission for an order authorizing the suspension of operation over its line of railway alleging that practically all its business has been derived from the transportation of freight to and from the mine operated by the Shasta Zinc and Copper Company at Bully Hill; that the mine is no longer operating and that until such time as operation is resumed that the operation of the railway will be conducted at a serious loss.

A public hearing on this application was conducted by Examiner Handford at San Francisco, the matter was duly submitted and is now ready for decision.

The line of railroad operated by applicant extends a distance of 14.46 miles from the station of Pitt, the junction with the line of the Southern Pacific Company, to Bully Hill, at which point are located the mines and plant of the Shasta Zinc and Copper Company. The mines and smelter of the Shasta

Zinc and Copper Company have been shut down for a period exceeding six months and there is no immediate prospect of a resumption of activities, the pumps installed to free the mine from water having been disconnected and no employees, except caretakers, now remaining on the property. As a result of the cessation of the mining and smelter activity at Bully Hill the tonnage to be transported has materially decreased and the revenue from transportation falls far short of meeting the actual cost of operation. Every economy has already been made in the limited operation heretofore given, the service rendered being by the use of a gasoline motor car operated daily and steam locomotives only being used when carload freight requires movement.

An exhibit presented by applicant shows the revenues and expenses for the ten months ending October 31, 1923, to be as follows:

Gross Revenue	v v v	\$9,009.01
Operating Expenses including Taxes	v v v	<u>16,423.05</u>
Deficit	-	\$7,414.04

The above amount shown as Operating Expenses includes no allowance for depreciation or interest on the investment in property used in the conduct of the line. If the line is to be continued in operation some rehabilitation work will be immediately necessary, estimated by the President of the Company to amount to approximately \$5,000.00

The desired suspension of operation is opposed by the Receiver of the Noble Electric Steel Company. This company owns a smelter at Heroult, a station between Pitt and Bully Hill. This company suspended operations at its smelter in January, 1919 and prior to such suspension had been shipping approximately 400 tons of ferro-alloy and 300 tons of iron ore per month. The plant has a capacity of from 100 to 150 tons out-

put per day. There are located near the smelter large deposits of iron ore and lime rock, it being alleged that approximately 2,000,000 tons of iron ore is exposed at the present time and that the deposit is of great depth. The Noble Electric Steel Company has been under receivership for about four years and the receiver has recently been authorized by the Federal Court to enter into an option agreement with certain parties who propose to reopen and operate the smelter and the iron deposits. Such reopening of the mine and plant would not be feasible unless rail transportation as heretofore furnished by applicant was available, not only for the outbound shipments but also for the receipt of material and supplies for the operation of the smelter, it being estimated that the inbound tonnage of materials and supplies would be at least one-quarter of the amount of the outbound shipments. During the year 1922 a total of 67 cars of ore was forwarded from Heroult which returned a revenue of \$3,919.00. The shipments for the account of this protestant from January to November, 1923, inclusive, have been as follows:

Forwarded

2 Cars Lime Refuse -	Revenue
59 " Ore	\$ 227.95
1 " Machinery	3,345.26
1 " Transformers	54.22
1 " Charcoal	52.50
Less carload shipments	92.26
	23.37

Received

Less carload shipments	54.41
Total	\$ 3,849.97
Monthly Average	\$ 350.00

It is apparent that the revenue to be received from the tonnage now available is not sufficient to defray the bare cost of train operation, to make any return on the capital.

investment or to provide for the rehabilitation expenditures which are now necessary. If the plans of the receiver of the protestant, Noble Electric Steel Company, for the reopening of the smelter and mines at Heroult are successful and there is offered a tonnage in volume sufficient to provide revenue at least sufficient to meet the items of maintenance and operation, taxes and depreciation the operation should be continued, but until the Commission is advised that there is traffic offering in sufficient quantity to meet the expense of the limited service heretofore operated the application for suspension of service should be granted pending further consideration upon proper representation and subsequent supplemental order of the Commission.

ORDER

A public hearing having been held in the above entitled proceeding, the matter having been duly submitted and the Commission being now fully advised and of the opinion that the application has been justified and should be granted,

IT IS HEREBY ORDERED that applicant, Sacramento Valley and Eastern Railway, be and the same hereby is authorized to suspend operation on its line of railway between the stations of Pitt and Bally Hill until further order of this Commission, such suspension to be made after five (5) days notice will have been given to the public by posting notices at the stations of Pitt, Heroult and Bally Hill.

The Commission expressly reserves the right to make

such other and further orders in this proceeding as to it may seem necessary and proper and to revoke or modify its order authorizing suspension of service when and if in its opinion that public convenience and necessity so require.

Dated at San Francisco, California, this 21st day of January, 1924.

O. A. Seavey
H. H. B. ...
Livingston ...
Carlton Shore
J. P. Whittney
Commissioners