

Decision No. 11034

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

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ORIGINAL

In the Matter of the Application of
MT. SHASTA POWER CORPORATION and
PACIFIC GAS AND ELECTRIC COMPANY for
an order of the Railroad Commission
of the State of California authoriz-
ing the Mt. Shasta Power Corporation
to convey certain lands and other
property to Red River Lumber Company,
to accept from said Red River Lumber
Company a lease of certain lands and
other property and to supply electric
power to said Red River Lumber Com-
pany as rent for the leased property,
all pursuant to certain agreements
dated August 27th, 1920.

Application No. 6444

C.P. Cutten and Wm. B. Bosley, for Pacific Gas
and Electric Company and Mt. Shasta Power
Corporation.

A.E. Bolton, for Red River Lumber Company.

BY THE COMMISSION:

O P I N I O N

Mt. Shasta Power Corporation and Pacific Gas and
Electric Company ask that the Commission approve certain agree-
ments between them and Red River Lumber Company, hereinafter
referred to as the Lumber Company, covering the conveyance and
leasing of certain lands and other property and rights. It
appears from the evidence that many years ago those now identi-
fied with the Lumber Company purchased large tracts of timber
lands in the Pit River Basin and foreseeing the need of power
for the development of their holdings secured riparian lands
along the Pit River. Mt. Shasta Power Corporation has since

secured other riparian lands and rights along Pit River and its tributaries, Hat Creek and Fall River. The purpose of the present agreement is to so exchange these lands and rights that Mt. Shasta Power Corporation may be in a position to proceed with its proposed developments on Fall and Pit Rivers and Red River Lumber Company may retain or acquire lands and rights necessary to the development of power sufficient for its anticipated lumbering operations. Provision is also made for temporary use by Mt. Shasta Power Corporation of the lands and rights permanently conveyed to the Lumber Company until such time as the Lumber Company finds that its demands for power justify the operation of its own separate plants.

These ends are attained through a number of long and complicated deeds, agreements and leases, but the substance of the whole transaction is as follows: Mt. Shasta Power Corporation transfers to the Red River Lumber Company certain lands and rights along Hat Creek, together with two power plants of a total installed capacity of 25,000 KVA, and receives in return the right to survey at any time during the next five years any lands now owned or hereafter acquired by the Lumber Company and to choose any lands or rights reasonably necessary to the construction and operation of the power plants and transmission lines which it proposes to build. The Lumber Company further agrees to lease the two power plants upon Hat Creek to Mt. Shasta Power Corporation until August 31st, 1923 and thereafter until the expiration of six months written notice, and to accept as rental under this lease certain specified amounts of electric power, not exceeding a maximum of 9500 H.P. Upon the termina-

tion of the lease the Lumber Company is to pay Mt. Shasta Power Corporation the actual cost of acquiring certain lands in connection with the Hat Creek plants and in addition must pay to Mt. Shasta Power Corporation the reasonable value at that time of the Hat Creek plants, less \$500,000. Pacific Gas and Electric Company appears in the transaction as a guarantor of the faithful performance of all the obligations assumed by its subsidiary Mt. Shasta Power Corporation.

The entire agreement has been carefully analysed and its probable future effect upon the cost of operation of the Pacific Gas and Electric Company studied. It does not seem likely that the power demands of Red River Lumber Company will exceed 9500 H.P. for some time to come and the probable effect of the agreement is that in exchange for this amount of power Mt. Shasta Power Corporation will receive extensive rights, essential to the development of over 450,000 H.P. Should Red River Lumber Company elect to terminate the lease, however, the rights of both parties are protected and the continuance of the development and of the operation of the Pit River plants will not be interfered with.

The agreement involves an exchange of values, the determination of which will come up in connection with the question of rates, rather than at this time. It should be further pointed out that the parties to the agreement have recognized the jurisdiction of this Commission, or other branches of the State government, over the lease and have made provision for settlement in case the approval of such bodies to the lease should be withdrawn. In approving the execution of the conveyance and lease by Mt. Shasta Power Corporation and Pacific Gas and

Electric Company the Commission expressly reserves the right to make such further orders in the matter as may appear reasonable and necessary in the light of future conditions.

O R D E R

Mt. Shasta Power Corporation and Pacific Gas and Electric Company having applied for an order of the Railroad Commission authorizing Mt. Shasta Power Corporation to convey certain lands and other property to Red River Lumber Company and to accept from Red River Lumber Company a lease of certain lands and other property and to supply electric power to Red River Lumber Company as rent of the leased property, all pursuant to certain agreements dated August 27th, 1920 as amended by certain supplemental agreements filed with the Railroad Commission in this proceeding and the Railroad Commission being of the opinion that the proposed conveying and the leasing of such property will be in the public interest

IT IS HEREBY ORDERED that (1) Mt. Shasta Power Corporation be, and the same is, hereby authorized to convey and transfer to Red River Lumber Company under conditions substantially as set forth in a form of conveyance attached to the first supplemental application in this matter and marked Exhibit "A", all the lands, easements, water rights and other property particularly described therein,

(2) Mt. Shasta Power Corporation be, and the same is, hereby authorized to execute and accept from Red River Lumber Company a lease of certain lands and other property substantially in the form attached to the first supplemental application in this matter and marked Exhibit "C",

(3) Mt. Shasta Power Corporation be, and the same is, hereby authorized to use the properties hereby authorized to be leased by it from Red River Lumber Company in the public service

as long as said lease shall continue in force and effect,

(4) Pacific Gas and Electric Company be, and it is, hereby authorized to enter into said agreements as therein provided as a guarantor of the faithful performance of the obligations therein assumed by Mt. Shasta Power Corporation.

PROVIDED, however, that nothing in the approval herein given shall be construed as a finding by this Commission as to the value of any of the property transferred or leased or of the property given or received in exchange therefor, and further provided, that the Commission expressly reserves the right to make such further orders in the premises as it may at any time deem proper.

Dated at San Francisco, California, this 29th day of September, 1922.

H. T. Brundage
Waring M. Austin
Charles H. Tower

Commissioners.