

Decision No. _____

ORIGINAL

Decision No. 4685

BEFORE THE RAILROAD COMMISSION
OF THE STATE OF CALIFORNIA

In the Matter of the Application :
of CALIFORNIA-OREGON POWER COMPANY :
for an order authorizing the sale :
by CALIFORNIA-OREGON POWER COMPANY : Application No. 3016
and the purchase by Estabrook Gold :
Dredging Company of a power plant :
in Trinity County, and for an order :
authorizing a lease to be entered :
into between the same parties for :
said power plant. :

Morrison, Dunne & Brobeck, by
J. F. Shuman and E. S. Taylor
for Applicant.

Wm. E. Colby for Estabrook Gold
Dredging Company.

BY THE COMMISSION:

O P I N I O N

In this application California-Oregon Power Com-
pany requests authority (1) to sell to Estabrook Gold

Dredging Company for the sum of \$23,300.00 a certain hydro-electric plant formerly owned by Trinity Gold Mining and Reduction Company and (2) to lease (from Estabrook Gold Dredging Company) said plant for a period of ten years.

Hearing in this matter was held before Examiner Encell at San Francisco on August 11, 1917.

The property proposed to be sold and thereafter leased by California-Oregon Power Company consists of a 320 k.w. hydro-electric plant purchased from the Trinity Gold Mining and Reduction Company and located near Carrville, Trinity County. This plant was purchased from the former owners by California-Oregon Power Company for \$22,500.00 under authority of this Commission. (See Decisions 4092 and 4131 in Application No. 2731.)

California-Oregon Power Company plans, under a certain agreement, to sell the power plant to Estabrook Company for \$23,300.00. By a separate agreement California-Oregon Power Company is to lease the power plant from Estabrook Company for a period of ten years or more, depending upon operations, and in consideration supply power to said company during that period at 6.3 mills per k.w. hour, which rate is 1.2 mills per k.w. hour less than the rate for such service charged other consumers in that territory. It is agreed that the

California-Oregon Power Company shall purchase the plant from the Estabrook Company at the original price of \$23,300.00 at the termination of the agreement.

It is difficult to see any reason for the complicated agreements to sell and then lease a certain hydro-electric plant and in consideration therefor grant a reduced rate for electric energy served to the lessor of the plants. What appears to be actually proposed is that Estabrook Company is to loan to California-Oregon Power Company for a period of ten years \$23,300.00 receiving as security therefor a deed to a certain plant and, as interest upon the loan, a rebate of 1.2 mills per k.w. hour on all energy used by it in the operation of its dredges. It is estimated that the interest thus obtained will amount to approximately eight to ten per cent per annum, depending upon the length of time the dredging operations are continued.

We can see no necessity for the two agreements proposed, which in effect are intended to grant Estabrook Company a rate of 1.2 mills per k.w. hour less than the standard rate for electric energy served in that district. It is true that Estabrook Company is advancing \$23,300.00 to the Power Company, but other mining corporations in the district are also required by applicant to advance certain amounts for the construction of lines to serve them. The purchase or construction of power plant equipment should have no bearing upon the rate to

be charged.

This plant is apparently used and useful in the service of California-Oregon Power Company and should remain its property, and the only apparent reason for requiring this consumer to provide a necessary part of the production system is to create a condition which could not readily be duplicated by other consumers of the same class. For the Commission to permit such a transaction as that proposed in this application would be to open wide the door to discriminatory practices and to countenance an evasion of the clear intent of the law prohibiting discrimination. The maintenance of uniform rates by public utilities is necessary not only for the protection of the consumer, but for the ultimate welfare of the utility as well, and while it may so happen that, in order to supply a certain consumer, the serving utility would be justified in requiring an advance payment or guarantee, such a condition cannot, in itself, warrant the granting of special or preferential rates.

After careful consideration, we are of the opinion that the proposed agreements should not be approved.

O R D E R

CALIFORNIA-OREGON POWER COMPANY, having applied to this Commission for authority to sell a certain

hydro-electric plant to Estabrook Gold Dredging Company and to lease said plant from that company, and a hearing having been held and the matter being submitted and ready for decision, and it appearing that the application should be denied,

IT IS HEREBY ORDERED that the above entitled application be and the same is hereby dismissed.

Dated at San Francisco, California, this 29th day of September, 1917.

Max Thelen

H. H. Loveland

Alex Gordon

Commissioners: