

Decision No. 8459

BEFORE THE RAILROAD COMMISSION  
OF THE STATE OF CALIFORNIA

---oOo---

ORIGINAL

In the Matter of the Application )  
of WESTERN STATES GAS AND ELECTRIC )  
COMPANY to increase gas and elec- )  
tric rates in its Stockton Divi- )  
sion. )

Application No. 5942

Cummins, Roemer, Flynn & McKenna;  
Nutter, Hancock & Rutherford; and  
Chickering & Gregory, by Allen L.  
Chickering, for Applicant.

M. P. Shaughnessy, for City of Stockton.

MARTIN, Commissioner:

O P I N I O N

In this proceeding Western States Gas and Electric Company seeks authority to increase its rates for gas and electricity supplied in its Stockton Division. Applicant is engaged in the manufacture and distribution of gas in the City of Stockton and suburbs, and in the generation and distribution of electricity in a limited section of Central California, including portions of the counties of San Joaquin, Sacramento, El Dorado, Amador and Calaveras.

A hearing was held in Stockton on September 8, 1920, at which time evidence relating to applicant's past, present and future gas and electric operations was fully presented. The matter is submitted and now ready for decision.

The rates now charged by Western States Gas and Electric Company in its Stockton division for electricity and gas were established by Decision No. 6196 in Applications 3605 and 3962, dated March 13, 1919, and have since been in effect.

In the period since applicant's rates were last fixed by the Commission its operating expenses have generally increased. Special attention is directed, however, to the following items:

1. The major part of the electrical energy supplied by applicant is purchased from Pacific Gas and Electric Company, from Pacific Gas and Electric Company, lessee of Sierra and San Francisco Power Company, and from Great Western Power Company, all of which in the interim since applicant's rates were established, have been granted increases in the rates applicable to the power supplied to applicant, aggregating \$75,000 per annum.

2. Wages paid employees in its Gas and Electric Departments are on a higher level than heretofore. The increase in annual operating expenses from this source aggregates \$52,000 per annum.

3. The price of oil used by applicant in its standby steam-electric generating plant and in its gas manufacturing plant has advanced from \$1.75 per barrel, which price prevailed at the time its pre-

sent rates were established, to \$2.30 per barrel, which is the minimum price that applicant anticipates it will be required to pay for oil upon the expiration of its present contract on October 31, 1920. This affects applicant's gas business to a far greater extent than its electric operations.

Applicant alleges that the increases in operating expenses hereinabove set forth have not been offset by increased revenue, and that as a result, it is no longer able to earn a reasonable return upon its investment in its properties in the Stockton division. Applicant also directs the Commission's attention to the increased cost of money as the same affects the returns to be derived from its business.

In the consideration of applicant's revenues, operating expenses and earnings, for the purpose of this proceeding the extent of its business for the twelve months period ending June 30, 1921 will be taken as a basis. This contemplates such normal increase in the extent of both gas and electric service as has been experienced during the past three years. In ascertaining the proper operating expenses in both the gas and electric departments of applicant's business, such portions thereof as involve the use of fuel oil are calculated upon the present price of \$2.30 per barrel delivered in Stockton. Wages are reflected by the present scale now in force, and taxes, as included, cover all proper levies of municipalities, counties, the State of California and the Federal government against applicant's earnings, securities or property.

Referring first to applicant's electric operations in its Stockton division, it appears from the evidence herein

that the annual revenue to be derived from the present electric rates and surcharges and the proper operating expenses to be incurred in this service are as set forth in the following table:

TABLE NO. I

WESTERN STATES GAS AND ELECTRIC COMPANY

STOCKTON DIVISION

ELECTRIC REVENUE AND OPERATING EXPENSES

Gross Electric Revenue from existing Rates and Surcharges		\$1,281,325
<u>Electric Operating Expenses:</u>		
Production Expense, incl. Maintenance and operation of Hydro and Steam plants and Purchased Energy	\$563,333	
Transmission Expense	34,005	
Distribution Expense	65,557	
Commercial Expense	31,380	
Gen'l. & Misc'l. Expense	109,826	
Taxes	98,508	
Insurance	16,618	
Total Operating Expense		<u>\$ 919,227</u>
Net Income applicable to Electric Dept. Depreciation and Return		\$ 362,098

The items of electric revenues and operating expenses shown above have been deduced from a full review of the evidence in this proceeding. The gross revenue to be derived from the rates now in effect is inclusive of the revenue which applicant would have received from municipal street lighting service under the rates and surcharges heretofore authorized it by this Commission, but from which it has deviated to the extent of

waiving the surcharge for such municipal service, availing itself of its right so to do under Section 5 of General Order No. 45 of this Commission. Obviously, the proper consideration of applicant's electric revenue should be based upon established standard rates, and the diminution of its return by reason of applicant's favoritism in the instances of municipal service it supplies should not, in our opinion, be counted adversely against its regular consumers.

As was indicated in the Opinion in Decision No. 6196 supra, the principle applying is that "If applicant elects not to charge this additional 10% on municipal street lighting service it must do so at its own loss, and in any rate fixing proceeding hereafter we shall require applicant to show as its revenue from this source not the amounts which it may collect under such reduced rates but the proper amounts which would result from the addition of this 10% surcharge. In other words, if applicant elects to carry the burden instead of placing it upon its street lighting consumers, where it belongs, it will do so at its own loss and will not be entitled before this Commission to claim an insufficiency of revenue by so doing."

At the hearing herein applicant stated that it seeks no increases in the rates charged for municipal street lighting service and desires that the rates for this service now charged, which have not been subject to any increase, continue without modification. It further stipulates that it will continue to avail itself of the option to favor municipal service and accept the loss incidental to the continuance of such lower rates.

Under the conditions which it is reasonably proper to assume as to revenue and operating expenses of applicant's electric business, the above table shows that the present rates will yield an annual net income of \$362,098 for depreciation and return.

The adequacy of the net income from applicant's electric operations must be measured by the relation it bears to capital. In the earlier proceedings in which applicant's rates were at issue, this Commission has concluded, that while there may be some doubt as to the complete accuracy of applicant's capital accounts, nevertheless its actual figures of capital afford a proper comparative basis in ascertaining the adequacy of its earnings. Under rates which have at all times been generally less than those charged by similar electric utilities in the central part of California, it has demonstrated its ability in the past to earn a net income for depreciation and return in excess of 10.25 per cent of its own figures of capital, inclusive of physical properties, materials and supplies and working cash capital, and in authorizing surcharges effective in March 1919 this basis was accepted as reasonable.

Applicant's electric operations during the twelve months ending June 30, 1920 show an earning of slightly less than 12% for depreciation and return on its average capital for this period. On the same basis as heretofore adopted and found reasonable by this Commission, it would appear that applicant's average electric capital to be considered in connection with the present modification of its rates is the sum of \$4,541,000, which is inclusive of its physical properties, materials and supplies and working cash capital. With the pre-

sent rates continued in effect the net electric income, shown above as \$362,098, indicates a reduction in earnings to less than 8 per cent for depreciation and return. In view of the fact that the funds invested in applicant's properties during the years 1919 and 1920 and to be invested in extensions and improvements to service in the immediate future, have borne and will continue to bear substantially higher interest rates than the great bulk of its capital heretofore invested, some recognition of this excess should be reflected in its rate of return. From a consideration of relative amounts of capital thus involved it is reasonable to conclude that an earning of 10.50 per cent upon applicant's capital for depreciation and return, after the deduction of operating expenses, would properly reflect the extent to which its more recent improvements have been financed under higher money costs. In adjusting applicant's electric rates at the present time, therefore, it is my conclusion that in addition to being permitted to earn its operating expenses as shown above, applicant is entitled for the service that it renders a sum equivalent to 10.50 per cent of \$4,541,000, or \$476,805, to provide for depreciation and a return upon its invested capital in electric properties. To meet these conditions additional revenue must be provided from its electric business and in establishing the electric rates set forth in the Order herein the increases authorized will adjust applicant's electric revenues to the extent contemplated.

Referring now to applicant's gas business in the City of Stockton and suburbs, it appears that for the year ending June 30, 1921 applicant will supply 417,000,000 cubic feet of

gas to about 10,400 consumers. In this service, revenue should be derived from present rates and expenses incurred in accordance with the following table:

TABLE NO. II

WESTERN STATES GAS AND ELECTRIC COMPANY

STOCKTON DIVISION

GAS REVENUE AND OPERATING EXPENSES

Gross Gas Revenue from Existing Rates		\$451,850
<u>Gas Operating Expenses:</u>		
Production	\$207,040	
Distribution	28,455	
Commercial	13,767	
General & Miscellaneous	39,541	
Taxes	35,743	
Insurance	4,468	
Total Operating Expense		<u>\$329,014</u>
Net Income applicable to Gas Department		
Depreciation and Return		\$122,836

In determining the cost of manufacturing gas included in the operating expenses shown above, oil used in gas manufacture has been included at a price of \$2.30 per barrel, which, from the evidence herein, appears to be the minimum price which will prevail in the immediate future. It may be well to point out at this time that altho the price of oil to applicant has increased from 75 cents per barrel in 1916 to the price shown above, the increases in its rates for gas service have been much less than have been found necessary in other gas companies to absorb the rising price of oil. This

is due largely to the fact that approximately 40 per cent of the gas supplied in the City of Stockton is natural gas, obtained from local sources, so that the increase in the price of oil has affected the cost of only a fraction of the output.

It further appears that a fair basis of earnings on applicant's gas capital, as shown from the evidence herein, would result in its receiving a net income of \$168,000 for depreciation and return upon its average gas capital for the period considered, which includes working cash and materials and supplies in addition to physical properties. Reference to the preceding table shows that the effect of increased operating expenses, principally oil and labor, unless met by increases in gas rates at this time, will reduce applicant's net income by approximately \$45,000 per annum below a reasonable return on its gas business. Applicant is entitled to such gas rates as will under present conditions equalize the increased level of its operating expenses. The rates set forth in the Order herein as applying to applicant's gas service in the City of Stockton and vicinity are intended to produce the earnings to which, under present conditions, it is entitled.

I submit the following form of Order:

### O R D E R

Western States Gas and Electric Company having applied to the Railroad Commission for authority to increase its gas and electric rates in its Stockton division, a hearing having been held, the matter submitted and being now ready

for decision, and the Railroad Commission, after due consideration of the evidence herein, finding that the present rates and charges of Western States Gas and Electric Company for gas and electricity supplied in Stockton division are not just and reasonable rates and that the rates set forth herein are just and reasonable rates to be charged by Western States Gas and Electric Company for gas and electricity in its Stockton division.

IT IS HEREBY ORDERED that Western States Gas and Electric Company be, and it is, hereby authorized to charge and collect for electricity supplied in its Stockton division, effective for all regular meter readings taken on and after the 30th day of December 1920, the following schedules of rates applicable to the several classes of service and under the conditions set forth:

SCHEDULE L-1

General Lighting Service

Applicable to General Domestic and Commercial Lighting Service.

TERRITORY:

City of Stockton and surrounding suburbs.

RATE:

							Rate per K.W.H.	
							Gross	Net
First	30	k.w.h.	per	meter	per	month	8¢	7¢
Next	170	"	"	"	"	"	7¢	6¢
"	300	"	"	"	"	"	5¢	5¢
"	500	"	"	"	"	"	4¢	4¢
All over	1000	"	"	"	"	"	3¢	3¢

MINIMUM CHARGE:

\$1.00 per Meter per Month.

SCHEDULE L-1 (Cont'd)

SPECIAL CONDITIONS:

The net rate is effective providing the bill for service is paid on or before the tenth day after date of presentation of bill, otherwise the gross rate applies.

SCHEDULE L-2

General Domestic Lighting Service

TERRITORY:

Stockton Division excepting the City of Stockton and surrounding suburbs.

RATE:

First 30 k.w.h. per meter per month....9¢ per k.w.h.  
All over 30 " " " " " " ....7¢ " "

MINIMUM CHARGE:

\$1.00 per Meter per Month.

SCHEDULE L-3

Sign and Display Lighting Service

TERRITORY:

City of Stockton and surrounding suburbs.

RATE:

6.0¢ per kilowatt hour.

SCHEDULE L-3 (Cont'd)

MINIMUM CHARGE:

\$2.50 per installation per month.

SCHEDULE C-1

General Heating and Cooking Service  
and Combination Service

Applicable to general domestic and commercial heating service, to cooking and water heating service, and to combination lighting, heating and cooking or water heating service.

TERRITORY:

Stockton Division.

RATE:

(a) Heating, Cooking and Water Heating Service

		<u>Rate per K.W.H.</u>	
		<u>Gross</u>	<u>Net</u>
First	150 k.w.h. per meter per month	4¢	3.5¢
All over	150 " " " " "	2¢	2¢

(b) Combination Lighting, with heating and cooking or water heating service  
(Applicable to residences, flats or apartments of eight rooms or less).

		<u>Rate per K.W.H.</u>	
		<u>Gross</u>	<u>Net</u>
First	30 k.w.h. per meter per month	(X)	(X)
Next	120 " " " " "	4¢	3.5¢
All over	150 " " " " "	2¢	2¢

(X) General Lighting Rate applicable in the Locality.

SCHEDULE C-1 (Cont'd)

MINIMUM CHARGE:

1. Electric Ranges

First 7 k.w. of connected load .. \$3.00 per month  
All over 7 " " " " .. 1.00 per k.w. per mo.

2. Water and (or) Air Heaters

- (a) When water and (or) air heating devices are installed in connection with an electric range and, further, when a double throw switch is installed so that the water and (or) air heater may not be used simultaneously with the range,

Water Heater Minimum Charge

First 5 k.w. of connected load - No minimum charge  
All over 5 " " " " \$1.00 per k.w. per mo.

Air Heater Minimum Charge

First 5 k.w. of connected load - No minimum charge  
All over 5 " " " " - \$1.00 per k.w. per month during months of October to March, inclusive.

- (b) When water and (or) air heating devices are installed not in connection with an electric range or if installed in connection with a range but without a double throw switch,

Water Heater Minimum Charge

\$1.00 per k.w. of connected load per month.

Air Heater Minimum Charge

\$1.00 per k.w. of connected load per month during months of October to March, inclusive.

SPECIAL CONDITIONS:

1. The net rate is effective providing the bill for electric service is paid on or before the tenth day after date of presentation of bill, otherwise the gross rate applies.

2. Service under this schedule is not intended to cover auxiliary cooking and heating devices, such as percolators, toasters, chafing dishes, heaters, etc., but such auxiliary devices may be attached to an electric range circuit, otherwise such auxiliary devices will be supplied under the regular lighting schedules.

SCHEDULE P-1

General Industrial Power Service

Applicable to all industrial power service except  
as may be included under other schedules or  
special contracts.

TERRITORY:

City of Stockton and surrounding suburbs.

RATE:

(a) Alternating Current Power Service

Rates per K.W.H. for Connected loads of	Monthly Consumption per H.P.		
	First 100 k.w.h.	Next 100 k.w.h.	All over 200 k.w.h.
Less than 5 H.P.	4.8¢	4.3¢	4.0¢
5 H.P. and over but less than 7½ H.P.	4.3	3.3	3.0
7½ H.P. and over but less than 10 H.P.	3.8	3.3	2.8
10 H.P. and over but less than 20 H.P.	3.3	3.0	2.5
20 H.P. and over but less than 30 H.P.	3.0	2.8	2.3
30 H.P. and over but less than 40 H.P.	2.7	2.5	2.0
40 H.P. and over but less than 50 H.P.	2.5	2.3	2.0
50 H.P. and over but less than 100 H.P.	2.3	2.0	1.8
100 H.P. and over but less than 200 H.P.	2.2	1.8	1.5

Rates for installations of 200 H.P. and over will be  
given after investigation to determine the particu-  
lar operating conditions.

(b) Direct Current Power Service:

Rates for direct current service are the energy  
rate for alternating current power service given  
under (a) above increased by five mills per k.w.h.

MINIMUM CHARGE:

Applicable to both alternating and direct current power  
service.

\$1.00 per H.P. of connected load per month.

SCHEDULE P-2

General Power Service

TERRITORY:

Stockton Division, except in City of Stockton  
and surrounding suburbs.

RATE:

Rate per K.W.H. for Connected Loads of

<u>Monthly Consumption</u>	<u>Less than 5 H.P.</u>	<u>5 H.P. and over but less than 50 H.P.</u>	<u>50 H.P. and Over</u>
First 500 k.w.h.	5.3¢	4.3¢	3.3¢
Next 500 "	4.6	3.6	2.6
" 500 "	4.2	3.2	2.2
All over 1500 "	3.5	2.7	1.7

MINIMUM CHARGE:

\$1.00 per H.P. of connected load per month.

SCHEDULE P-3

Agricultural Power Service

Applicable to general agricultural power service

TERRITORY:

Stockton Division.

RATE:

<u>Monthly Consumption</u>	<u>Rate per K.W.H.</u>	<u>Annual Minimum Charge</u>
(a) First 1000 k.w.h.	3.3¢	(
Next 1000 "	2.8	( \$6.00 per H.P.
All over 2000 "	2.3	(
(b) All Energy	1.8	\$6.00 per H.P. but not less than \$300.

SCHEDULE P-3 (Cont'd)

RATE: (Cont'd)

<u>Monthly Consumption</u>	<u>Rate per K.W.H.</u>	<u>Annual Minimum Charge</u>
(c) All Energy	2.3¢	\$12.00 per H.P. but not less than \$60.
(d) Demand Charge - \$8.00 per H.P. of Connected Load per year but not less than \$40 per year		
plus Energy Charge - 1.3¢ per k.w.h.		

SPECIAL CONDITIONS:

1. Minimum charges stated above apply for service for one year or fraction thereof.
2. Minimum charges to be paid in equal installments during the irrigation period from May to October inclusive.
3. The consumer shall declare what rate schedule he desires to operate under by May 1st of each year. Where option is not stated by May 1st, the schedule charged him during the preceding year shall continue in effect.
4. Two or more irrigation plants may be combined under the above schedules, provided delivery is made by the Company at one point and one bank of transformers and one meter installation only is required. Distribution laterals from meter to motors shall be owned by the consumer..
5. The term "Connected Load" as used in the irrigation schedules is defined as meaning the maximum installed horsepower of an irrigation service which can be connected to the Company's system at one time. Should a consumer desire to move his motor from one location to another, or install at his own expense a satisfactory double-throw switch which will prevent all motors from being connected to the Company's system at one time, then the maximum installed horsepower, which is connected to the system at any one time during the year, shall be considered as the "connected load".

SCHEDULE P-4

General Industrial Power Service

Applicable to general industrial power service  
Energy delivered at 2300 volts.

TERRITORY:

City of Stockton and surrounding suburbs.

RATE:

(a) Demand Charge:

\$2.50 per k.w. of maximum demand per month.

(b) Energy Charge:

1.0¢ per k.w.h.

MINIMUM CHARGE:

\$1.00 per E.P. of Connected Load per Month.

SPECIAL CONDITIONS:

1. The total monthly charge is the sum of the charges under (a) and (b) above.
2. The maximum demand in any month shall be the average horsepower input (746 watts equivalent) indicated or recorded by instruments to be furnished and installed by the Company upon the Consumer's premises, adjacent to watt-hour meter or meters, in the 15-minute interval in which the consumption of electricity is greater than in any other 15-minute interval in the month, or, at the option of the Company, the maximum demand may be determined by test.
3. The above rate applies at each point at which service is delivered.

SCHEDULE P-5

Electric Furnace Service

Applicable to service required in the operation of electric furnaces. Energy delivered at 2300 volts.

TERRITORY:

City of Stockton and surrounding suburbs.

RATE:

1.25¢ per k.w.h.

MINIMUM CHARGE:

\$1.00 per H.P. of connected load per month.

SCHEDULE X

Electric Service not Otherwise Provided for in Standard Schedules.

1. Special Power Service Subject to Term Contract:

Rates:

The charges set forth in special contracts, exclusive of the surcharges authorized in Decision No. 6196, and in addition thereto a charge of 3 mills per k.w.h.

2. Resale Service to Other Utilities and Municipalities:

Rates:

The charges set forth in special contracts, exclusive of the surcharges authorized in Decision No. 6196, and in addition thereto a charge of 2 mills per k.w.h.

SCHEDULE X (Cont'd)

3. Railway Power Service:

Rates:

The charges set forth in special contracts, exclusive of the surcharges authorized in Decision No. 6196, and in addition thereto a charge of 2 mills per k.w.h.

4. Public Outdoor Lighting Service:

Rates:

The charges set forth in special contracts, exclusive of the surcharges authorized in Decision No. 6196, and in addition thereto a charge of 20% of such contract rate.

IT IS HEREBY FURTHER ORDERED that Western States Gas and Electric Company be, and it is, hereby authorized to charge and collect for gas supplied in the City of Stockton and suburbs, effective for all regular meter readings taken on and after the 30th day of December, 1920, in accordance with the following schedule of gas rates, to-wit:

GENERAL GAS SERVICE

						<u>Gross</u>	<u>Net</u>		
First	25,000	cu.ft.	per	meter	per	month	\$1.30	\$1.25	per M
Next	25,000	"	"	"	"	"	1.15	1.10	cu.ft.
"	25,000	"	"	"	"	"	1.05	1.05	per M
"	25,000	"	"	"	"	"	.95	.95	cu.ft.
"	25,000	"	"	"	"	"	.85	.85	per M
All over	125,000	"	"	"	"	"	.80	.80	cu.ft.
Minimum Charge	per	Meter	per	Month			.90	.85	

The net rate is applicable if the bill is paid within ten days of the date of presentation, otherwise the gross rate will apply.

IT IS HEREBY FURTHER ORDERED that Western States Gas and Electric Company shall, within twenty days of the date of this order, file with the Railroad Commission the schedules of gas and electric rates herein established.

The foregoing Opinion and Order is hereby approved and ordered filed as the Opinion and Order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this

1<sup>st</sup> day of December, 1920.

Edwin O. Edgerton

H. S. Loveland

H. A. Brundage

Dwight Martin

Commissioners.