

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the application of ORO ELECTRIC CORPORATION for a certificate that public convenience and necessity require and will require the exercise by it of rights and privileges under franchises granted to it by the city of Stockton, by Ordinance No. 566, approved December 30, 1912, and by the county of San Joaquin, by Ordinance No. 399, passed January 7, 1913.

Application No. 347.

Allen Chickering, Chickering & Gregory and Nutter & Orr for Western States Gas and Electric Company.

W. H. Orrick, Goodfellow, Bells & Orrick and C. L. Neumiller for Oro Electric Corporation.

FEELER, Commissioner.

SUPPLEMENTAL OPINION.

The hearing in this matter was held for the purpose of ascertaining whether or not the Western States Gas and Electric Company has complied with the requirements specified in this Commission's order in the above entitled proceeding, rendered on April 29, 1913.

Application No. 347 was an application of the Oro Electric Corporation for a certificate of public convenience and necessity that public convenience and necessity require and will require the exercise by Oro Electric Corporation of rights and privileges under two franchises—one granted to it by the city of Stockton and the other by the county of San Joaquin. In its said order dated April 29, 1913, this Commission granted the application in so far as it affects territory in San Joaquin county south of the right-of-way of the Atchison, Topeka and Santa Fe Railway Company and within a constant distance of two miles from the city of Stockton, except the city of Stockton, and also as to all of San Joaquin county lying north of said right-of-way, with certain exceptions, among which are the city

of Stockton and territory lying north and east thereof, within one mile from the city limits, north of said right-of-way of the Atchison, Topeka and Santa Fe Railway Company.

With reference to the city of Stockton, and said territory lying north and east thereof, north of the right-of-way of the Atchison, Topeka and Santa Fe Railway Company, the application was held open for a period of ninety days from the date of the order, pending a determination by this Commission as to whether or not the Western States Gas and Electric Company should have complied within that time with certain requirements specified in the order. This Commission's order of April 29, 1913, reads in part as follows:

"It is hereby ordered that the Western States Gas and Electric Company be given ninety (90) days from the date of this order within which to complete its work of reconstruction and unification in and around the city of Stockton. If at the end of this period, the Western States Gas and Electric Company shall have satisfied this Commission that its said work of reconstruction and unification has been completed, and that its service has become satisfactory, and if said company shall within said time present to this Commission such rates as it may consider just and reasonable, not to exceed in general the rates presented by the Oro Electric Corporation, this Commission will make its supplemental order denying the application with reference to said territory. If the Western States Gas and Electric Company fails to meet these requirements to the satisfaction of this Commission, the Commission will thereupon, without further proceedings, issue its order granting this application as to the remaining territory."

The order then continues as follows with reference to certain stipulations required to be filed by the Western States Gas and Electric Company:

"Within thirty (30) days from the date of this order the Western States Company shall file in this proceeding, a stipulation with the Commission and the board of trustees of the city of Stockton to the effect that it entered into the contract with the Sierra and San Francisco Power Company for the purpose of protecting itself from competition, and that the amount which it is obligated to pay to the Sierra and San Francisco Power Company under this contract is excessive and likewise that the amount which it is obligated to pay to the Pacific Gas and Electric Company under the .9 cent rate contract referred to in the opinion herein is excessive, and that it will not in any rate fixing inquiry, either before the authorities of the city of Stockton or before this Commission, directly or indirectly use the expenditures required under these two contracts as an element to be considered in making rates, beyond the amount which the amount of electricity secured under these contracts is reasonably worth."

The three matters to be determined accordingly concern (1) rates, (2) unification and reconstruction, including service, and

(3) stipulation.

The Western States Gas and Electric Company, hereinafter referred to as the Western States Company, heretofore filed with this Commission and also with the Board of Trustees of the city of Stockton, a stipulation, in accordance with the order, which stipulation was heretofore on the 2nd day of June, 1913, approved by this Commission. The matters remaining to be determined are, accordingly, (1) rates, and (2) unification and reconstruction, including service.

The Oro Electric Corporation, hereinafter referred to as the Oro Corporation, appeared at the hearing and stated that it considered the matter to be one between the Commission and the Western States Company alone. The Oro Corporation accordingly offered no evidence of its own, but cross-examined witnesses presented by the Western States Company and made suggestions to the Commission as to the evidence necessary to determine whether or not the Western States Company had complied with the Commission's requirements.

Referring first to the question of rates, the Western States Company, on July 24, 1913, filed with this Commission a letter, a copy whereof was introduced at the hearing and marked "Western States Company's Exhibit No. 2," in which letter the Company, among other things, set out a schedule of proposed residence lighting rates, commercial lighting rates and both alternating and direct current power rates for the city of Stockton and vicinity, which rates the Western States Company offers to put into effect in the city of Stockton and vicinity, if satisfactory to this Commission. These rates are as follows:

PROPOSED RESIDENCE LIGHTING RATES

For - City of Stockton and Vicinity.

First	100	KWH.	used	per	month	6.5¢	per	KWH.
Next	50	"	"	"	"	6.0¢	"	"
Next	50	"	"	"	"	5.5¢	"	"
Next	50	"	"	"	"	4.5¢	"	"
Next	50	"	"	"	"	3.5¢	"	"
Next	200	"	"	"	"	3.4¢	"	"
If the monthly consumption exceeds 500 KWH.								
then the total monthly consumption will be								
billed at - - - - -							4.6¢	"

Discount 10 per cent if paid within 10 days  
of date of bill.  
Minimum monthly bill \$1.00 per meter.

PROPOSED COMMERCIAL LIGHTING RATES

For - City of Stockton and Vicinity.

First	100	KWH. used	per month	6.0¢	per KWH.
Next	50	"	"	5.5¢	"
Next	50	"	"	5.0¢	"
Next	50	"	"	4.5¢	"
Next	50	"	"	4.0¢	"
Next	100	"	"	3.9¢	"
Next	100	"	"	3.8¢	"
Next	200	"	"	3.7¢	"
Next	300	"	"	3.6¢	"
Next	500	"	"	3.4¢	"
Next	500	"	"	3.0¢	"
Next	1000	"	"	2.6¢	"
				2.5¢	"

All over 3000 KWH. " "

Discount 10 per cent if paid within 10 days  
of date of bill.  
Minimum monthly bill \$1.00 per meter.

PROPOSED ALTERNATING CURRENT POWER RATES

For

CITY OF STOCKTON & VICINITY.

For 1 to 5 H.P. -	1st	100	KWH. used	per installed	HP. per Mo.	4 <sup>1</sup> / <sub>2</sub> ¢
	Next	100	"	"	"	4¢
	All over	"	"	"	"	3 3/4¢
For 5 to 7 1/2 H.P. -	1st	100	"	"	"	4¢
	Next	100	"	"	"	3¢
	All over	"	"	"	"	2 3/4¢
For 7 1/2 to 10 H.P. -	1st	100	"	"	"	3 1/2¢
	Next	100	"	"	"	3¢
	All over	"	"	"	"	2 2¢
For 10 to 20 H.P. -	1st	100	"	"	"	3¢
	Next	100	"	"	"	2 3/4¢
	All over	"	"	"	"	2 1/2¢
For 20 to 30 H.P. -	1st	100	"	"	"	2 3/4¢
	Next	100	"	"	"	2 2¢
	All over	"	"	"	"	2¢
For 30 to 40 H.P. -	1st	100	"	"	"	2 3/8¢
	Next	100	"	"	"	2 1/2¢
	All over	"	"	"	"	1 3/4¢
For 40 to 50 H.P. -	1st	100	"	"	"	2 1/2¢
	Next	100	"	"	"	2¢
	All over	"	"	"	"	1 3/4¢
For 50 to 100 H.P. -	1st	100	"	"	"	2¢
	Next	100	"	"	"	1 3/4¢
	All over	"	"	"	"	1 2¢

No discounts allowed. Minimum bill \$1.00 per installed  
Horse Power per month. When installation is on the changing line,

such as a 7 1/2 HP. motor, the lower rate for this size would be effective.

This Schedule is for all Alternating Power, with the exception of agricultural power in general, and industrial power where the installation is in excess of 100 HP. Rates for industrial power where the installation exceeds 100 HP. will be made upon investigation to determine load factor and other special conditions.

PROPOSED DIRECT CURRENT POWER RATES

For

CITY OF STOCKTON & VICINITY.

For 1 to 5 H.P. - 1st 100	KWH, used per installed H.P. per Mo.	5¢
Next 100	" " " " " "	4 1/2¢
All over	" " " " " "	4¢
For 5 to 7 1/2 H.P. - 1st 100	" " " " " "	4 1/2¢
Next 100	" " " " " "	3 1/2¢
All over	" " " " " "	3¢
For 7 1/2 to 10 H.P. - 1st 100	" " " " " "	4¢
Next 100	" " " " " "	3 1/2¢
All over	" " " " " "	3¢
For 10 to 20 H.P. - 1st 100	" " " " " "	3 1/2¢
Next 100	" " " " " "	3 1/4¢
All over	" " " " " "	2 3/4¢
For 20 to 30 H.P. - 1st 100	" " " " " "	3 1/4¢
Next 100	" " " " " "	3¢
All over	" " " " " "	2 1/2¢
For 30 to 40 H.P. - 1st 100	" " " " " "	2 7/8¢
Next 100	" " " " " "	2 3/4¢
All over	" " " " " "	2 1/2¢
For 40 to 50 H.P. - 1st 100	" " " " " "	2 3/4¢
Next 100	" " " " " "	2 1/2¢
All over	" " " " " "	2 1/4¢
For 50 to 100 H.P. - 1st 100	" " " " " "	2 1/2¢
Next 100	" " " " " "	2 1/4¢
All over	" " " " " "	2¢

No discounts allowed. Minimum bill \$1.00 per installed Horse Power per month. When installation is on the changing line, such as a 7 1/2 HP. motor, the lower rate for this size would be effective.

The foregoing rates are based on a block system, whereas the rates offered by the Oro Corporation were based on a sliding scale system. In order to determine whether or not the rates presented by the Western States Company "exceed in general the rates presented by the Oro Electric Corporation" it was necessary for this Commission's rate department to make a careful analysis of the same. The result of this analysis is as follows:

With reference to the residence lighting rates, it appears that for 99 6/10% of the customers of the Western States Company the rates proposed by that Company are the same as those heretofore proposed by the Oro Corporation. With reference to the remaining 4/10 of 1% of customers the rates proposed by the Western States Company are slightly in excess of those proposed by the Oro Corporation.

With reference to the commercial lighting rates, it appears that up to a consumption of 100 KWH. the rates are the same, while from 100 to 400 KWH. the rates of the Western States Company are slightly in excess of those of the Oro Corporation, and between 400 and 1000 KWH. the rates of the Western States Company are slightly lower than those of the Oro Corporation, and beyond 1000 KWH. the rates are practically the same.

The power rates presented by the Western States Company are the same as those proposed by the Oro Corporation.

Mr. Kahn, Vice President and General Manager of the Western States Company, presented the following tabulation to show income estimated on the basis of the present rates for the months of September, 1912 and March, 1913, income estimated for the same months by applying the proposed rates of the Western States Company, and also income estimated by applying <sup>to</sup> the business of these two months the rates proposed by the Oro Corporation:

RESIDENCE LIGHTING.

	<u>Existing rates.</u>	<u>Proposed rates of Western States Co.</u>	<u>Oro Rates.</u>
Sept. 1912 -	\$ 5144.51	\$ 4526.44	\$ 4523.27
March 1913 -	5971.53	5254.05	5250.28

COMMERCIAL LIGHTING.

Sept. 1912 -	10312.60	8272.21	8139.65
March 1913 -	11079.95	8919.71	8789.54

POWER.

Alternating current, average month -	7102.63	6660.20	6660.20
Direct Current, average month -	969.27	840.02	840.02

It is thus apparent that the rates presented by the Western States Company are practically identical with the rates proposed by the Oro Corporation.

Mr. Kahn testified that if the rates proposed by his Company are established, the result will be that the Company will lose \$40,000 per year in gross revenue.

The Western States Company, in its letter to the Commission, states that they are presenting rates "which we consider just and reasonable." In support of the contention that the proposed rates are just and reasonable and that the Company can afford ~~xxxxxx~~ to accord them, the Western States Company at the hearing presented the following statistics concerning the year ending December, 1912:

Gross revenue electrical department	
Stockton division,-----	\$342,449.71
Operating expenses electrical department,	
Stockton division,-----	151,085.74
Net revenue,-----	<u>\$191,363.97</u>

The Stockton division consists of territory both within and without the city of Stockton and the Western States Company claims that about 33% of its electrical business in this division is outside of the city of Stockton. The Western States Company drew attention to the fact that its bond interest for the year 1912, as shown on its Exhibit No. 3, filed at the hearing, is \$176,161.25, a sum less than the net revenue from the electrical department from the Stockton division, and contended from these figures that it could reasonably accord the proposed rates.

At the original hearing in this application the Oro Corporation presented its Exhibit No. 42, showing true net earnings of the Western States Company on its electrical business for the Stockton division of 15 2/10%. If this percentage is correct, a deduction of \$40,000 per year from the annual gross revenue would still leave net earnings amounting to over 10%. While we do not here pass on the correctness of the conclusion reached by the Oro

Corporation, we refer to their exhibit for what it may be worth in this connection.

I find from the evidence introduced at the hearing that the Western States Company has complied with this Commission's requirement with reference to rates. At a later date, the Commission will take up the question whether the minimum and discount provisions proposed by both companies are just and reasonable. The type of rate may also hereafter become the subject of further investigation.

I shall now refer to the matter of unification and reconstruction, including service.

The Western States Company is the successor of the American River Electric Company and the Stockton Gas and Electric Company, both of which companies operated electric systems in the city of Stockton. The American River system was a three-phase system and the Stockton Gas and Electric system was a two-phase system. The lines of these two systems extended practically throughout the city, parallelling each other along many streets. It is evident that in order to give first class service in the city of Stockton, it was necessary for the Western States Company to unify these two systems, so that the system could be operated as a unit. As the result of such unification any class of customers could be supplied from any of the different sources of supply. Such unification, also, would result in the elimination of unnecessary duplication. In August or September of 1912, the Western States Company entered upon this work of unifying and reconstructing its system. This work was carried on continuously thereafter with the exception of one period of three weeks, by an average of nine gangs of men, varying from nine to twenty-one men in a gang. The larger portion of the primary distribution work was completed prior to April 29, 1913. The remaining portion of the primary distribution work and most of the secondary distribution work was completed between April 30, 1913 and July 1 - 15, 1913.

In performing this work, the Western States Company has removed some 250 poles, representing duplications of its two constituent



systems. In a few cases the lines of the two old systems still remain on the same street, but these cases are relatively unimportant and do not result in impairment of the service. The Western States Company has made a complete separation between power and lighting circuits. The power is now supplied throughout the city over a three-phase feeder system and the lighting over a single-phase feeder system. This change will undoubtedly result in a marked improvement in the service. The Company has installed a number of new primary and secondary feeders. 155 blocks of primary feeders have been reconstructed and 460 blocks of secondary feeders. In addition to such poles and wires as were removed and as could be used in reconstruction work, the Company has set 265 new poles and has strung 694,669 feet of new wire. All primary lines which had heretofore been of No. 8 and No. 10 wire have been replaced with No. 6 or larger. The evidence shows that the reconstruction has eliminated the overloaded condition of feeders, shown by the evidence on the original hearing. It also appears that the Company has installed automatic regulators on each lighting feeder for the purpose of minimizing the flickering, concerning which there was also considerable testimony at the original hearing.

The Western States Company has taken a considerable number of volt meter readings, so as to determine whether or not the service is now satisfactory. A number of these records were taken at the suggestion of this Commission's rate department in cases in which the testimony at the original hearing showed that the service was not what it should be. The evidence shows that as a result of the completion of the reconstruction work, the service has materially improved and is now a first class service.

I find from the evidence at the hearing that the Western States Company has complied with this Commission's requirements in the matter of the reconstruction and unification of its system in and around the city of Stockton and with reference to the service.

At the hearing the question was asked as to what assurance the people of Stockton would have that the Western States Company would

continue to give rates as reasonable as those which it now proposes and would continue to give good service. The power to fix the rates of this Company vests at present in the City Council of Stockton. It will be presumed that the city authorities will not permit the Western States Company to increase its rates unless such increase is justified. The attorney for the Western States Company stated at the hearing that the proposed rates would be put in as permanent rates and that it was not the policy of his company to increase rates.

With reference to service, it appears that the system as now unified and reconstructed is capable of taking on a considerably increased load. It is probable that with reference to service, this Commission has authority over the Western States Company. If so, the people of Stockton may rest assured that this Commission will insist that the Western States Company continue to give first class service.

I recommend the following form of supplemental order:

SUPPLEMENTAL ORDER.

A public hearing having been held to determine whether or not the Western States Gas and Electric Company has complied with the requirements contained in this Commission's order heretofore made in the above entitled proceeding on April 29, 1915, and the Commission finding that said Company has complied with each of said requirements,

IT IS HEREBY ORDERED that the application of ORO ELECTRIC CORPORATION in the above entitled proceeding be, and the same is hereby denied with reference to the city of Stockton and the territory adjacent thereto north of the right-of-way of the Atchison, Topeka and Santa Fe Railway Company, as to which permission to the Oro Electric Corporation to enter the same was refused in this Commission's order and supplemental order in its Application No. 64.

IT IS FURTHER ORDERED that WESTERN STATES GAS AND ELECTRIC COMPANY be authorized to make its proposed rates effective on one day notice.

The foregoing supplemental opinion and order are hereby approved and ordered filed as the supplemental opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 15<sup>th</sup> day of August, 1913.

Alfred J. ...

Max ...

Edgewood ...

Commissioners.