

ORIGINAL

Decision No. 31614.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application of
MARKET STREET RAILWAY COMPANY for an
Order of the Railroad Commission
instituting a formal investigation
upon its own motion as to the rates
charged by Pacific Gas and Electric
Company for electric energy sold by it
to Market Street Railway Company.

Application No. 20337.

In the Matter of the Investigation on
the Commission's own motion into the
reasonableness of the rates, rules,
regulations, charges, classifications,
contracts, schedules, practices and
operations, or any of them, of PACIFIC
GAS AND ELECTRIC COMPANY, in supplying
electric energy used for motive power
to "street railroad corporations,"
"railroad corporations," or municipally
owned street railway systems in
California.

Case No. 4105.

Max Thelen, for Market Street Railway Company.
R. W. DuVal and N. R. Sutherland, for the
Pacific Gas and Electric Company.
John J. O'Toole, City Attorney, City and County
of San Francisco, by Dion R. Holm, Deputy
City Attorney.
R. E. Wedekind and Paul Lebenbaum, for North-
western Pacific Railroad Company, San Jose
Railroads, Central California Traction
Company and Stockton Electric Railway
Company.
W. E. Evans, for Sacramento Northern Railway
and Tidewater Southern Railway.
Frank S. Richards, for Key System and East
Bay Transit Company.
McCarthy, Richards & Carlson, by Thomas K.
McCarthy, for Key System and East Bay
Transit Company.

WHITSELL, COMMISSIONER:

OPINION ON REHEARING

The Commission's first Order of Investigation
bearing the above case number was limited in its scope to the

question of the reasonableness of the rates charged by the Pacific Gas and Electric Company for electric power service rendered to the Market Street Railway Company, that investigation being instituted in response to the petition of the latter company. In Decision No. 29286, of November 23, 1936, the Commission held that the evidence then before it did not justify any modification of the existing rate schedule. Subsequently, after the Market Street Railway Company had petitioned for a rehearing, the Commission granted the petition (Decision No. 29514) and at the same time enlarged the scope of its investigation to permit an examination of the rates charged by the Pacific Gas and Electric Company to all electric railways served under its power schedule P-9.⁽¹⁾

Following the preliminary hearings thereafter held in this enlarged proceeding, adjournment was taken to permit completion by the Commission's staff of a comprehensive study to reflect the cost of electric service rendered such railway customers. The completed report was later introduced in evidence as Exhibit No. 68, and some additional material was submitted by the interested parties. Upon completion of hearings and arguments before Commissioner Whitsell, the matter was again submitted on June 1, 1938, for the Commission's consideration.

It seems unnecessary to attempt a detailed analysis of the evidence now before us. The studies presented cover the

(1) The railways receiving this class of service at that time were: California Street Cable Railroad Company, Central California Traction Company, Key System, Market Street Railway Company, Northwestern Pacific Railroad Company, San Jose Railroads, Petaluma and Santa Rosa Railroad Company, Sacramento Northern Railway, Stockton Electric Railroad Company, Tidewater Southern Railroad Company, San Francisco and Napa Valley Railroad, and Municipal Railways of San Francisco.

power uses of the twelve companies receiving service under the P-9 schedule. Both direct current and alternating current energy are supplied under such schedule, some of the railroads receiving both types of service. Viewing each distinct service as a separate use, there are sixteen customers supplied.

The cost of service study presented by the Commission's engineers was for the purpose of finding the costs of the Pacific Gas and Electric Company reasonably to be assigned to all such services. It must be acknowledged that the making of capital and expense allocations to a particular part of such a large electric system can not be made with that degree of accuracy which might be desired. Yet we believe that the material offered in this proceeding does contribute greatly to an understanding of the rate problem here presented. The development of a proper schedule applicable to the railroad consumers requires that we fairly assess the characteristics of the particular service rendered to each, in order that inequality and preference between them may be avoided.

The evidence before us indicates that, under the existing power schedule, the railroads as a class return to the Pacific Gas and Electric Company a considerably lower net return than the average obtained throughout its electric system. However, it has not been the Commission's practice to accord, nor the utility's right to demand, a uniform rate of return from each class or group of patrons served. The electric railroads here under consideration are themselves rendering an essential public service, but they have been experiencing a downward trend in earnings or suffering actual losses. Hence, an increase in the cost of their power supply, viewed as a group, would be impossible without serious injury to them as well as an eventual loss of revenue to the

utility supplying such electric energy.

There is considerable diversity in the load characteristics of the power users under the P-9 schedule. This results in considerable variance in the net return derived by Pacific Gas and Electric Company from service rendered to each. Another distinct cause for such variance in return is the additional cost incident to energy conversion in supplying direct current service, the evidence indicating that those services receiving direct current contribute fully thirty per cent less return than those receiving alternating current. The evidence indicates further that some railways having the least favorable load characteristics are able to obtain service under the schedule at a rate only slightly less than that available to those having the most favorable load conditions.

While railway service soon to be inaugurated over the Bay Bridge will increase the gross revenue under the schedule, the record does not show clearly whether such service will add to the profitableness of Schedule P-9. It would appear that the load factor of this new service will be relatively low, although it may improve as traffic increases.

After giving consideration to all the factors surrounding the particular services rendered, or to be rendered, under Respondent's Schedule P-9, we are led to the conclusion that some revision of the rates and conditions of service prescribed therein is necessary. Were it possible to compute the exact rate which would place each customer upon an equality with the other, specific schedules might be devised for those railways similarly situated. But it must be recognized that the factors which bring about inequalities of position are variable factors and to some degree within the control of the railways themselves. Therefore, it

appears more practical to permit the rates contained in Schedule P-9 to remain available to those who wish to continue service thereunder, but to incorporate additional rates and conditions available to those whose use of alternating current energy and whose load conditions justify some rate differential.

The prescribed schedule will be of two parts, Rates (A) and (B). The former will be identical to the present rate but will be closed to new customers. The latter will provide a new rate for the alternating current users. No new rate is provided for direct current service. The larger capital investment required to render direct current service, together with the uncertainty of future transportation demands, justify the closing of this rate to new customers. Likewise, we believe it justified to close the rate henceforth to major extensions from existing systems.

The new Rate (B) is similar in form to the schedules applicable to other classes of industrial consumers, except for a somewhat different division in the assignment between the demand and the energy charges. Some changes have been made in the special conditions. For instance, the interruption provision has been eliminated and a fuel oil clause has been added, the latter applying only to Rate (B).

As to the interruption clause, the Commission is of the opinion that, with changed conditions of operation on the Respondent's system, the probability of continuous service is greater than formerly. No other class of service enjoys a penalty provision and such a restrictive provision for railway service is no longer deemed just and reasonable.

The fuel oil clause provision, wherein the energy rates change in accordance with fuel costs of generation, is recognized as sound practice where energy rates are low as in Rate (B). The relatively small change that will result in the energy rates by the application of fuel price changes is consistent with actual generating costs.

The Commission is of the opinion that it is impractical to incorporate a power factor clause in the rate and that the particularly favorable characteristic of railway use is fully reflected in the rate itself.

The application of Rate (B) will result in some rate reduction to Market Street Railway Company, California Street Cable Railroad Company and Sacramento Northern Railway, the magnitude of such reduction depending upon these railways' operations. Likewise, it may be of some advantage to the railways on the Bay Bridge, at least during the initial stages of such operations.⁽²⁾ It follows that the Pacific Gas and Electric Company will presently suffer some diminution in the net rate of return obtained from this particular class of business. On the other hand, such a revision of Schedule P-9 may well serve to assure continued and more stabilized earnings from the railways served under this schedule.

I recommend the following Order.

O R D E R

The above proceedings having been heard and submitted

(2) Electric service to be supplied to the railways operating on the Bay Bridge is here construed as existing service inasmuch as the contract for that service has been authorized by this Commission's Decision No. 30181, in Application No. 21427, and provides for payments under filed Schedule P-9.

for decision, and after consideration of the evidence, the Commission hereby finds that the rate schedule P-9 of Pacific Gas and Electric Company is unjust and unreasonable in that the application of certain of the rates and conditions therein to all of the railways receiving electric service under such schedule result in unjust preference and discrimination.

Wherefore, IT IS HEREBY ORDERED that Pacific Gas and Electric Company file, on not less than ten days' notice, a revised Schedule P-9 containing the rates and conditions set forth in Appendix "A" attached to this Order, said revised schedule to become effective on February 1, 1939, and made applicable to all electric energy delivered thereunder on and after February 1, 1939.

It is further ordered that upon the filing of said rate schedule Pacific Gas and Electric Company shall mail copies of said schedule to all customers receiving service thereunder, together with notification that, until a written request is made for service under Rate (B) of said schedule, service will be billed under Rate (A).

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

The effective date of this decision shall be the twentieth day after the date hereof.

Dated, San Francisco, California, December 28, 1938.

Robert W. [unclear] P.
Leon [unclear]
Frank [unclear]
[unclear]
Commissioners.

APPENDIX "A"

SCHEDULE P-9

RAILWAY SERVICE

DESCRIPTION OF SERVICE:

This schedule is applicable to electrical energy used for motive power and lighting incidental to railway operation.

TERRITORY:

Applicable to entire territory served excepting Humboldt Division.

RATE (A):

Quantity rate applicable only to customers receiving service as of February 1, 1939:

	<u>Alternating Current</u>	<u>Direct Current</u>
First 300 Kw-hrs. per month per Kw. of Maximum Demand	0.85¢ per Kw-hr.	1.15¢ per Kw-hr.
Over 300 Kw-hrs. per month per Kw. of Maximum Demand	0.75¢ per Kw-hr.	1.00¢ per Kw-hr.

Monthly Minimum Charge

Per Kw. of Maximum Demand	\$1.75	\$2.50
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RATE (B):

Load factor type of rate applicable to all service other than that rendered under Rate (A):

	<u>Alternating Current</u>
(1) <u>Demand Charge</u>	
First 200 Kw. of Maximum Demand	\$1.50 per Kw.
Next 300 Kw. of Maximum Demand	1.25 per Kw.
All Over 500 Kw. of Maximum Demand	1.10 per Kw.
(2) <u>Energy Charge</u> (to be added to Demand Charges):	
First 150 Kw-hrs. per Kw. per month	0.50¢ per Kw-hr.
Next 150 Kw-hrs. per Kw. per month	0.45¢ per Kw-hr.
All Over 300 Kw-hrs. per Kw. per month	0.40¢ per Kw-hr.

SPECIAL CONDITIONS:

(a) Availability of Service:

This schedule applies to direct current at trolley voltage delivered to railway feeders (Rate A) or to alternating current at distribution or transmission line voltage delivered to railway substations and used principally for the propulsion of cars and trains, (Rates A & B). Energy delivered at such points and voltages may also be used for lighting and power purposes incidental to railway operations, but energy delivered

at separate points for shops, stations, etc., will be billed at the regular rates applicable to such uses. This schedule also applies to service to cable street railways and trolley coach operation.

(b) Maximum Demand:

"Maximum Demand," as used in this schedule, means the average load for the thirty-minute interval in which the consumption of energy is greater than in any other thirty-minute interval during the month, but demands created on Sundays, legal holidays, afternoon on Saturdays, between eleven o'clock any evening and six o'clock the following morning, or as the result of interruptions in the power company's service, will not be considered.

(c) Points of Delivery:

When service is supplied at more than one point of delivery, the maximum simultaneous demand will be used; when both alternating and direct current are supplied, the charges for direct current service will be based on the maximum simultaneous direct current demand and the charges for alternating current will be based on the difference between the maximum simultaneous direct current demand and the maximum simultaneous combined direct and alternating current demand.

(d) Rate Option:

A customer under rate (A) may at any time elect to transfer to rate (B), and may during the first twelve months after the effective date of this tariff elect again to return to rate (A), but thereafter no transfers from rate (B) to rate (A) shall be permitted.

(e) Fuel Clause:

The above energy rates will be increased or decreased by 0.05 mill under rate (B) for each full 10 cents increase or decrease in the market price of fuel oil as regularly quoted by the Standard Oil Company of California above or below \$1.00 per barrel f.o.b. Richmond, the change to become effective on all regular meter readings taken on and after the 30th day following such change in the price of oil.

(f) Extensions for New Service:

No new extensions to existing customers served under rate (A) will be made for A.C. service except as to territory now served. No extensions will be made for D.C. service except where such are of a minor nature and can be served from existing substations. Extensions will be made for A.C. service under rate (B) for new customers and extensions into new service areas. In unusual circumstances when the application of this provision appears unjust to either party, either or both may submit the matter to the Railroad Commission for special ruling.