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Decision No.

ORIGINAL

Decision No. 3096

BEFORE THE RAILROAD COMMISSION OF
THE STATE OF CALIFORNIA.

PETER A. LONGREN,

Complainant,

v.

Case No. 875.

PACIFIC GAS AND ELECTRIC
COMPANY, a corporation,

Defendant.

Albert P. Stiefvater for Complainant.

Charles P. Cutten for Defendant.

BY THE COMMISSION.

O P I N I O N

Complainant herein alleges in effect that the defendant company has refused, and still refuses, to extend its gas mains to serve his residence and also certain other residences hereinafter referred to in the same tract. The defendant company in its answer admits that it has refused to extend its gas service as alleged, for the reason that in the immediate vicinity of the proposed extension sufficient business can not be ob-

tained to justify the investment. The defendant further states that the local investment to serve complainant would be \$269.50; that the investment to serve the complainant and three additional residences located in adjacent territory would be approximately \$575.30, from which a revenue not to exceed \$70. per year would be obtained.

At the hearing evidence was introduced by both the complainant and defendant relating to expense to be incurred and revenue to be derived not only from an extension of service to the complainant alone but to various groups of residents in the tract. Without objection on the part of either party the general question of extensions in that tract was considered at the hearing.

The material portions of the evidence are as follows:

The defendant company has heretofore extended its mains to within approximately 1,100 feet of the residence of complainant. Such extension was made with the belief that the territory to be served by that extension would be built up, but little revenue has been obtained therefrom, and it has proved unremunerative.

Complainant's residence is located at the corner of Grand Avenue and Scott Street, in the Toler Heights Tract, in the City of Oakland. There has been little development in the tract so far, and there is no reason to believe that any unusual development will take place there in the near future. At the present time there are seven residences located in the

territory near the complainant's house. Four of the seven, including complainant, have signified their willingness to take gas service, and it is possible that one or two of the remaining will take service.

The location of the residences is as follows:

Mr. P. A. Lofgren,	Lot No. 2, Block L, fronting Scott Street.
Mr. Backlund,	Lot No. 10, Block Q, fronting Williams St.
Mr. Ross,	Lot No. 8, Block V, fronting Williams St.
Mr. Keen,	Lot No. 1, Block O, fronting Williams St.
Mr. Liedenstrander,	Lot No. 5, Block L, fronting Scott St.
Mr. Olsen,	Lot No. 8, Block L, fronting Scott St.
Mr. Laurence,	Lot No. 9, Block L, fronting Scott St.

The present gas mains of the company have been extended to Foothill Boulevard and Mountain View Avenue in the tract. To serve the complainant will require a two-inch main extension approximately 1,100 feet in length along Mountain View and Grand Avenue.

To serve Messrs. Backlund, Ross and Keen will require an additional extension of approximately 1,050 feet along Grand Avenue and Williams Street.

An extension to serve the three remaining possible consumers will be approximately 450 feet.

The cost of the extensions proposed is approximately as follows:

PROBABLE COST OF EXTENSION

1. Lofgren	\$270.00
2. Addition to serve Backlund, Ross and Keen,	305.00
3. Addition to serve 3 houses on Scott Street,	180.00
Total of 1 and 3	450.00
Total of 1 and 2	575.00
Total of 1, 2 and 3	755.00

The revenue to be obtained was estimated to be approximately \$18. per annum per consumer as determined from the average conditions in this district, although there is a question whether this amount will be obtained from each of these residences.

An investigation of the average operating expenses and operating revenue of the company disclosed that the expenses, exclusive of depreciation, equal approximately fifty-five per cent. of the gross revenue of the gas department.

The extension in question is within the city limits of Oakland and defendant has a monopoly of the business and presumably a constitutional franchise to extend over all streets, and, as referred to in other decisions, the company must expect to make some extensions which are not in themselves entirely remunerative. In this instance, however, the small percentage of revenue to be obtained would hardly justify the requiring that the company make the extension without an additional guarantee from the consumers.

We are of the opinion in this case that it would be fair to both the consumer and company if the consumer was required to pay his portion of the operating expenses and an allowance for interest and depreciation upon the investment required to make the local extension, leaving any proportionate cost of the production and transmission fixed charges, of interest and depreciation upon the general system to be cared for by the connection of consumers upon the present mains, and the future consumers connected upon the proposed mains of the company.

The following table contains a statement of the factors necessary to the solution of a reasonable rate to be charged in accordance with the opinion herein immediately above expressed.

	<u>Estimated Investment</u>	<u>Probable Revenue</u>	<u>Operating Expense 55%</u>	<u>Fixed Charges 10%</u>	<u>Total Cost</u>
1. Lofgren	\$270.00	\$24.00	\$13.20	\$27.00	\$40.20
2. Backlund, Ross and Keen	305.00	48.00	26.40	30.50	56.90
3. Three houses on Scott Street	180.00	45.00	24.75	18.00	42.75
Total of 1 and 3	450.00	69.00	37.95	45.00	82.95
Total of 1 and 2	575.00	72.00	39.60	57.50	97.10
Total of 1, 2 and 3	755.00	117.00	64.35	75.50	139.85

From the foregoing it will appear that considering Mr. Lofgren by himself he should guarantee \$3.50 per month.

Considering the complainant and the consumers Backlund, Ross and Keen as a group to be served by a possible extension, they should guarantee at least

\$8.25 per month in the aggregate, or \$2.10 per residence per month.

Considering complainant and the three possible consumers on Scott Street as a possible basis for an extension, a guarantee of at least \$7. per month should be made, or \$1.75 per month per consumer.

Considering the seven consumers together, a guarantee of at least \$1.70 per consumer per month should be made.

O R D E R

Complainant having applied to this Commission for an order directing the defendant, Pacific Gas and Electric Company, a corporation, to extend its service lines so as to serve complainant with gas for lighting and heating purposes,

And the Commission, after a public hearing in relation thereto, having fully considered the facts from the proofs adduced, and all and singular being advised in the premises,

NOW, THEREFORE, IT IS HEREBY ORDERED that defendant, Pacific Gas and Electric Company, extend its service lines and connections in such manner as may be necessary to provide gas for lighting and heating purposes to the residences, or groups of residences, in Toler Heights, Brooklyn Township, Oakland,

California, as may comply with the following conditions, it being expressly understood that said extensions are ordered only upon full compliance on the part of the consumers with the following conditions.

1. Before an extension be made to furnish only the residence of complainant herein, the complainant shall execute in favor of the defendant company a good and sufficient undertaking or guarantee to said defendant company, guaranteeing that he, or the occupant of the premises, will use the gas for lighting or other purposes and pay therefor a minimum charge of \$3.50 per month for a period of three years.

2. Before an extension be made necessary to serve complainant herein and the premises occupied by Messrs. Backlund, Ross and Keen, said, or other, consumers shall execute in favor of defendant company a good and sufficient undertaking or guarantee to said defendant company, guaranteeing that they will use gas for lighting and other purposes and pay therefor a minimum charge of \$2.10 per month each for a period of three years.

3. Before an extension be made necessary to serve the residence of complainant and the premises hereinabove designated as the three houses on Scott Street, the same being now occupied by Messrs. Liedenstrander, Olsen and Laurence, said, or other, consumers shall execute in favor of the defendant company a good and sufficient undertaking or guar-

antee to said defendant company, guaranteeing that they will use the gas for lighting or other purposes and pay therefor a minimum charge of \$1.75 per month each for a period of three years.

4. Before an extension be made necessary to serve the residence of complainant herein, together with the premises now occupied by Messrs. Backlund, Ross, Keen, Liedenstrander, Olsen and Laurence, said, or other, consumers shall execute in favor of the defendant company a good and sufficient undertaking or guarantee to said defendant company, guaranteeing that they will use the gas for lighting or other purposes and pay therefor a minimum charge of \$1.70 per month each for a period of three years.

5. The Commission reserves the right to make such further orders in this proceeding relative to the amount of the above minimum charge and the manner of guaranteeing the same as it may deem necessary, and to further modify this order in such manner as may be advisable in the premises.

Dated at San Francisco, California, this 14th day of February, 1916.

Max Shelen
H. J. Loveland
Wm. Gordon
Edwin C. Edgerton
Frank R. Decker

Commissioners.