

Decision No. 28566

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

Citizens of California  
Residents of the Town  
of Kentfield, California,

Complainants,

vs.

Pacific Gas and Electric Company,  
Defendant.

Case No. 4048.

ORIGINAL

August H. Pape, for Complainants.

Wallace Meyers and A. E. Rucker, Attorneys,  
for Complainants.

C. P. Cutten and R. W. DuVal, Attorneys,  
for Pacific Gas and Electric Company.

WARE, COMMISSIONER:

O P I N I O N

This is a complaint signed by twenty-nine residents of the unincorporated community of Kentfield, Marin County, California, who are consumers of gas and electric service supplied by the Pacific Gas and Electric Company in said community. The complaint alleges that the rates for said service charged by said utility in Kentfield are in excess of those charged in the neighboring incorporated towns of Ross, Larkspur and San Anselmo, of the sixth class, and that said rates are unreasonable and discriminatory by reason of such excess.

Complainants ask that the rates now being charged for said service by Pacific Gas and Electric Company, in Kentfield, be reduced to conform exactly with the rates for said service charged by said utility in the three incorporated towns above mentioned.

A public hearing on this complaint was held in Kentfield on December 10, 1935; thereafter briefs were filed by complainants and the defendant, and the case is now ready for opinion and order.

At said hearing, August H. Pape, witness for complainants, testified that the unincorporated community of Kentfield includes the following described area:

"Beginning at the most southeasterly extremity of the limits of the incorporated town of Ross, being its intersection with the Southerly line of the Raymond Tract, thence running Northeasterly irregularly along the Easterly limits of said Town to their point of intersection with the Southerly limits of the incorporated town of San Rafael; thence Easterly along the limits of said Town to the point of intersection of same with the Southwesterly boundary of the P. W. Riordan Tract; thence Southerly along the Westerly limits of the P. W. Riordan Tract to the limits of the incorporated town of Larkspur; thence Southwesterly along the limits of said Town to a point 400 feet Southwest of the center of the County Road; thence Northwesterly parallel to and at a distance of 400 feet Southwesterly from the County Road to the Southerly line of the Raymond Tract; thence Westerly along said line to its intersection with the limits of the incorporated town of Ross, the Point of beginning, all in the Ross Landing School District, County of Marin;"

that all of said area is included in the Kentfield Lighting District and Kentfield Fire Protection District and that all of said area except that portion of same known as the Del Mesa Tract is included in the Ross Landing Elementary School District; that Kentfield is fully as densely built up as the aforementioned adjoining incorporated towns of Ross and Larkspur, and that, in his opinion, the cost of installation of gas mains and electric distribution lines and the cost of rendering gas and electric service is no greater in Kentfield than in Ross or Larkspur.

Counsel for complainants introduced into evidence a copy of Senate Bill No. 1094, introduced at the last session of the Legislature. A. C. Olney, President of the Marin Junior College, located in Kentfield, testified that approximately 360 regular students and 200 part-time students attend said College, and that approximately 75 to 100 of these students reside in Kentfield for either five or seven days each week.

B. B. Beckett, rate engineer of Pacific Gas and Electric Company, witness for defendant, testified that the present arrangement

and grouping of schedules covering domestic and commercial electric service on the system of defendant utility was first ordered in effect by the Commission in its Decision No. 11457, decided December 30, 1922, and reported in Volume 22, Opinions and Orders of the Railroad Commission of the State of California; that said decision classed the general lighting rates into three general categories, namely, group one, including the congested metropolitan area of the bay district; group two including the incorporated cities and towns other than those included in group one; group three including the unincorporated territory outside of all incorporated cities and towns.

He stated that generally speaking, the cost of distribution of gas and electricity varies directly with the distance between consumers so that said cost of distribution is lower in congested areas, such as incorporated cities and towns, and higher in rural and unincorporated communities; and that the number of consumers and revenue per mile of gas main or distribution line is generally greater in incorporated areas than in unincorporated areas.

This witness further testified that defendant serves electricity to the residents of 134 incorporated cities and towns and 435 unincorporated communities on its system and that it serves gas to the residents of 92 incorporated cities and towns and 63 unincorporated communities; that the number of electric consumers per mile of distribution line in Kentfield in 1934 was 38.5 as compared with 68.1 for all incorporated cities and towns of group two mentioned above and that the annual revenue per mile of line in Kentfield for the year 1934 was \$2,209 as compared with \$4,430 for the incorporated cities and towns of said group two; that the number of gas consumers per mile of distribution main in Kentfield in 1934 was 45.6 as compared with 62.9 for all incorporated cities in the North Bay Divisions, with respective revenues per mile of main of \$1,940 in Kentfield and \$2,625 for the incorporated cities.

Witness for defendant finally testified that there now exists on defendant's system approximately seventy-one unincorporated communities, which, like Kentfield, are included within the boundaries of three districts, namely, lighting, fire and school districts. If all of these seventy-one communities were given the rates for gas and electric service applicable to the incorporated cities of group two, there would result therefrom a reduction of approximately \$125,000 per year in revenues. If the rates for gas and electric service applicable to the incorporated cities of group two were made applicable in all of the unincorporated communities on defendant's system, there would result therefrom a reduction in annual revenue amounting to approximately \$1,500,000.

It is self-evident that all of the 71 communities now served by the company, and embracing simultaneously lighting, fire and school districts, are entitled to a parity of consideration and treatment. The far-reaching effect, measured in terms of reductions of annual revenues of the Pacific Gas and Electric Company throughout the remaining rural district, which would inevitably follow the granting of the relief sought herein, presents a very wide field for conjecture; but it is reasonable to conclude that said utility would experience a reduction in annual revenues amounting to a considerable portion of the \$1,500,000 last specified. This record fails to justify any order which will disturb or disorganize the three existing groups above mentioned.

The service of gas and electricity in California in general, and on the system of this utility in particular, is widespread. As set forth in the record of this proceeding, service is rendered by this utility to the residents of a total of 724 incorporated cities and towns and unincorporated communities. To fix and maintain separate individual rates for each of these communities would obviously be impossible. Experience has shown that the nearest practical approach to individual rates for cities, towns and communities in the adoption of groupings wherein the rates fixed are based upon the average conditions

pertaining to the group. Inasmuch as such rates are based upon averages and properly so, it is inescapable that comparisons between two individual communities of different groups, or even of the same group, will indicate occasionally close similarity or wide variation. However, a comparison of the groups as a whole will show that each possesses quite a different and distinct picture than is presented by either of the other groups.

When the present arrangement of the three general groupings of electric, domestic and commercial consumers on defendant's system was adopted in the above mentioned Decision No. 11457, the Commission said (22 C.R.C. at pages 783, 784 and 785):

"There are on file with the Commission at the present time, and effective on applicant's system, fifty-eight (58) different rate schedules, in addition to special contracts for street railway service, street lighting service and other special service not covered by the regular schedules \* \* \* "

"It was the consensus of opinion of all parties represented that the schedules should be simplified and reduced in number in so far as possible and still maintain flexibility \* \* \* "

"An adjustment of rates to apportion more equitably the charges between groups of consumers and classes of service in connection with reduction of rates is advisable."

"The fixing of rates and the equitable division of charges on a system as extensive as that of applicant is a problem in the solution of which no exact rule or formula can be used. The approximate cost of rendering the several classes of service; the economic value of the service to the individuals and groups of consumers; the rates heretofore in effect and their results upon the operations of the consumers; the elimination of discriminatory conditions amongst classes and districts and the general effect on future development of business of new rates must be considered in the division among

"the various classes and groups of consumers of the total revenue which the company is entitled to receive. Forms of rates must be relatively simple yet must meet the widely varying conditions of retail and wholesale service. It is impossible and uneconomical to attempt to fix rates such that each district or each class of consumer will return to the company an equal rate of compensation for the average proportion of the plant necessary for their service. The system is so extensive and receives power from so many points that the service to the different classes of consumers is largely interdependent as to costs."

"Evidence in this proceeding indicates, as has been many times stated, that the profit or return upon capital invested in the congested incorporated territories is greater than in the developing rural territories served. If this is not to be continued, the extension and development of the rural and unincorporated territory will be stifled and such policy must ultimately work to the detriment of the more congested districts. In the rates fixed herein, consideration is given both to the justification on the one hand, for a lower lighting rate in the incorporated territory than in the unincorporated territory, and also to the justification and fairness of fixing a reduced rate for power sold for redistribution in unincorporated territory still in the development stage."

"Three general lighting rates are fixed herein for the entire system, one for the congested metropolitan area of the bay district, one for other municipalities and incorporated territory on the system, and one for rural territory."

Upon the introduction and widespread distribution of natural gas on the system of defendant, the same policy and reasons prompted the fixation of rates for gas service on a basis similar to the electric, but with a larger number of groupings wherein the

service charge or minimum charge is somewhat lower in incorporated areas than in unincorporated areas.

There is no question but that, taken as a whole, the density of consumers and revenue per mile of line is greater, and the cost of installation and operation per consumer is less in incorporated cities and towns than in unincorporated areas, for both gas and electric service. It is equally true that the incorporated limits of cities and towns form a rather definite dividing line between areas of low cost and high cost service, which justifies a differential in rates between said areas.

Complainants have an obvious and natural way of procuring for the area of Kentfield, involved herein, the rates applicable to incorporated areas through the simple process of municipal incorporation. Until these complainants desire and effectuate such incorporation, it is both obvious and fair that they shall continue under the advantages and handicaps characteristic of rural districts.

I recommend the following order:

#### O R D E R

Twenty-nine consumers of gas and electric service residing in the unincorporated community of Kentfield, Marin County, California, having entered formal complaint against the gas and electric rates being charged in Kentfield by Pacific Gas and Electric Company, and asking that said rates be reduced to conform exactly with the rates for said service being charged by said utility in the neighboring incorporated towns of Ross, Larkspur and San Anselmo, Marin County, public hearing having been held and the matter now being submitted and ready for decision,

IT IS HEREBY ORDERED that the above mentioned complaint be, and it is, hereby dismissed.

The effective date of this Order is twenty (20) days from the date hereof.

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.

Dated at San Francisco, California, this 10<sup>th</sup> day of February, 1936.

M. B. Harris  
Leon Whitely  
M. P. Curran  
Matthew Mann  
Frank R. DeVin  
Commissioners.