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STATE OF NEW JERSEY.

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**Board of Public Utility Commissioners**

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IN THE MATTER OF THE COMPLAINT OF MICHAEL  
CARROLL ET AL. AGAINST THE PUBLIC SERV-  
ICE GAS COMPANY.

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**REPORT.**

March 17th, 1914.

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ICE GAS COMPANY.

REPORT.

*G. W. Anderson*, for the petitioners.

*L. D. H. Gilmour*, for the respondent company.

This is a proceeding in which the Board, under its power to require extensions of the existing facilities of a public utility (Laws of 1911, Chapter 195, II, 17, (c)), is asked to order an extension of the respondent's gas mains along Canal street, in the borough of South Bound Brook.

A petition signed by thirteen residents of this section was forwarded to this Board in August, 1913, accompanied by a motion passed by the borough council, advising said petitioners to complain to this Board. The Board accepted the petition as a complaint, and forwarded the same to the respondent. Respondent's answer was returned to the petitioner whose name stood first on the petition, with an inquiry if he desired a date fixed for a hearing. To this inquiry no direct reply was received, and the matter rested in abeyance until November, 1913, when the borough attorney requested a date for a hearing. December 12th, 1913, was accordingly appointed for the hearing, but on that date, at the Court House, in Newark, no one appeared for the petitioners, whereupon the petition was dismissed, without prejudice, however, to its revival upon due application. It appearing later that the notice of said hearing to the borough attorney had miscarried, the case was set to be heard at the State House, at Trenton, on January 20th, 1914. Testimony and exhibits were introduced by both parties at this later date, and an opportunity was afforded the petitioner to present, on February 3d, 1914, affidavits to indicate the number of con-



sumers who would take service if the mains were extended. This opportunity was waived in a letter under date of February 2d, 1914, by the petitioner's attorney, who contented himself with submitting a brief, and allowing the case as it stood on the record to go to conference.

The statute defining the Board's power to order extensions such as asked for by these petitioners limits its power to cases "where, in the judgment of said Board, such extension is reasonable and practicable and will furnish sufficient business to justify the construction and maintenance of the same, and when the financial condition of the said public utility reasonably warrants the original expenditure required in making and operating such extension." (Laws of 1911, Chapter 195, II, 17, (c).)

From the evidence it appears that along Canal street there are at present eighteen houses, all told, on the east and west sides of the street, with four other houses near enough to be connected, if a main were extended along Canal street from Washington street to Johnson street. Several of the houses are double houses. The houses themselves are inexpensive structures, valued with the lots from \$1,000 to \$2,000 each, and where inhabited by tenants renting from \$5 to \$11.50 per month. None of the houses appear to be piped for gas.

Canal street is graded and is lighted with electric street lamps, but is not supplied with water mains. There seems no dispute as to the probable number of gas consumers if the desired main were built. Thirteen names appear on the petition, and the company's canvass indicates that fourteen consumers might be counted upon. There was testimony to the effect that if gas were introduced additional houses along Canal street would probably be built; but this is in part conjectural, and the Board does not feel warranted in assuming that occupants of houses not yet built should be counted among assured patrons of the company.

There seems to be little dispute as to the length of main required to supply gas along Canal street from the dead end of the present main on Washington street between Franklin and Canal streets.

Allegation is made that the respondent, under its franchise, is obligated to extend along any street within the borough. But said franchise was not produced before the Board; and, in the absence of proof, the Board cannot find that the franchise imposes an obligation upon the respondent such as the petitioners allege.

The case, therefore, resolves itself into a question of the probable cost of said extension and the net revenue likely to accrue to the company therefrom.

The estimate submitted by the respondent is as follows:

*South Bound Brook:*

Washington St. from E. Franklin St., Eastward, . . .	200 feet
Canal St. from Washington St., Southward, . . . . .	1,441 feet
	<hr/> 1,641 feet
1,641 ft. of 4" C.I. pipe, at 50 cents, . . . . .	\$820 50
14 meters, at \$10, . . . . .	140 00
14 services, at \$15, . . . . .	210 00
	<hr/> \$1,170 50
Plant Investment—168 M., at \$1.50, . . . . .	252 00
	<hr/> \$1,422 50
	<hr/>
Estimated Revenue—168 M., at 90 cents, . . . . .	\$151 20
Expenses of Service:	
168 M., at 50.19c., . . . . .	\$84 32
14 customers, at \$2.73, . . . . .	38 22
Depreciation, at 1½%, . . . . .	21 34
Taxes, at 1%, . . . . .	14 23
	<hr/> \$158 11
Interest, at 8%, . . . . .	113 80
	<hr/> 271 91
	<hr/>
Insufficiency of net revenue to pay 8%, . . . . .	\$120 71

The length of main required, or 1,641 feet, is attested by the company's blueprint (Ex. R1). Petitioner's map (Ex. P1) indicates a frontage along the east side of Canal street of 1,387 feet, to which 200 feet are to be added for the extension from the dead end of main on Washington street. An extra allowance must be made for the widths of Johnson street and Washington street. Hence the length of main may safely be taken at 1,641 feet. The cost per lineal foot of 50 cents for 4-inch main is fairly well attested by impartial expert testimony in similar cases before this Board. In other cases it has been put as high as 55 cents. The unit cost for meters in other cases has been given at \$8; and for services at \$13.50. But the total, as outlined by the respondent, seems a fair cost. Hence the prime cost of \$1,170.50 may be accepted as a fair estimate.

The reason for adding to this cost an allowance for plant investment has been set forth in the report: "In the Matter of the Complaint of the Board of Trade of Saddle River Township vs. Public Service Gas Company," decided December 30th, 1913. In brief, the reason may be re-stated as follows: The investment made by the company for the benefit of these petitioning consumers will consist not only of the mains, meters and services on Canal street, but also in a part of the generating plant and trunk mains from which these mains are fed. It was found in the one division of this company most thoroughly examined that for every 1,000 feet of annual sales the investment in generating plant and transmission mains was about \$1.50. Hence, if the probable annual sales of gas through these new mains can be estimated, the part of plant investment fairly to be added to the cost of mains, services and meters in this particular vicinity may be approximately arrived at.

The testimony discloses the annual average consumption per customer of gas in South Bound Brook to be about 14,000 feet. (Record, p. 47, January 20th, 1914.)

There seems some sound reason for the company's estimate that in this region the consumption per consumer would be somewhat less than the average in the borough, inasmuch as Canal street is not piped for water, and inasmuch as the general run

of houses is built on a more modest scale than in the borough generally. The company's estimate of an average annual consumption of 12,000 cubic feet per customer in this section may thus be admitted. This would amount to a total consumption by fourteen customers of 168 M. annually. This amount, at 90 cents per M., would afford as gross revenue \$151.20.

The company's estimate of cost embraces five items. The cost of 50.19 cents per M. is based apparently on figures in the company's 1912 report. In said report the total manufacturing cost in the Central Division plus one-half the Distribution Cost is augmented by the Expenses in said Division for new business and General Expenses. This aggregate, divided by the total annual sales for 1912 in the Division, or 360,520,900 feet, gives about 48.3 cents, to which, when 1.8 cents are added for franchise taxes, the figure of 50.19 cents per M. is arrived at.

The second item, or customer charge, at \$2.73 per annum per customer, covers the monthly meter readings, billing, receipting and bookkeeping. This figure was obtained by dividing the sum of the remaining cost for distribution plus commercial expense by the number of meters in the division.

The third item of depreciation at 1½ per cent. was supported in similar investigations for extensions as a fair estimate for depreciation. If, however, the actual consumption amounted to 168 M., the allowance of 6 cents per M. (the company's regular allowance for depreciation) would fall to \$10.08. The company's contention is that if actual consumption were to be disappointing along the proposed new extension, and if depreciation were estimated at so many cents per M. of consumption, no adequate allowance for this item would be made. A mean between the company's estimate for depreciation of \$21.34, and \$10.08, the company's customary allowance if the consumption accorded to their forecast, might properly be substituted for the company's figure. This would amount to about \$15.

Taxes, also, as based on the percentage actually paid in proportion to the valuation of physical property in the Paterson-Passaic district come nearer to three-quarters of one per cent. than the one per cent. here claimed. Accordingly, this item

should be reduced to three-fourths of one per cent. of \$1,170.50, and would amount to \$8.75, approximately.

The item of interest at 8 per cent. on the total investment involved for the service required conforms to the percentage allowance hitherto accorded as a fair allowance; and the item of \$113.80 as interest should be allowed. As remarked previously, if on these marginal extensions the company were compelled to accept a lower rate than the 8 per cent. adjudged hitherto as a fair rate of return, the average return would be lessened with every such extension.

From the company's estimate of expenses, then, the deductions that might fairly be made would be as follows:

(1) On Depreciation, .....	\$6 34
(2) On Taxes, .....	5 48
	<hr/>
Total, .....	\$11 82

This would leave an insufficiency of net revenue required to afford an annual 8 per cent. return of \$108.89.

Upon the facts disclosed in this hearing, the Board stands ready to order the extension in case the petitioners will afford the company sufficient security that for each of the next five years the sum of \$108.89, or such part thereof as shall be necessary, in connection with the revenue from consumers along the desired extension, to afford a return of 8 per cent. on the plant investment and to cover the other costs as calculated by the methods approved herein will be paid to the company. But in the absence of such assurance or guarantee, the conditions as disclosed will not warrant this Board in ordering the extension asked for by the petitioners.

Dated March 17th, 1914.

