

to it by the Board of Supervisors of Alameda County to supply gas to certain territory in said county.

A public hearing was held at San Francisco by Examiner Gannon on December 20, 1927, at which time the applications were consolidated and evidence was taken. On January 3, 1928, the matters were submitted on oral arguments.

While the franchises are more or less general as to territory to be served, the application of Pacific Gas and Electric Company specifically sets forth that this applicant desires presently to serve the unincorporated towns of Decoto, Niles, Alvarado, Centerville, Newark and contiguous and intervening territory, while Alameda County Gas Company seeks to serve, in addition to the above area, the towns of Irvington, Mt. Eden, Warm Springs, Mission San Jose and contiguous territory.

Pacific Gas and Electric Company has a gas generating plant in Oakland from whence gas is sent under pressure to Hayward and it is from this point that applicant proposes distribution to the territory herein involved. Service is offered at the rate of \$1.22 per thousand cubic feet which is the prevailing cost to consumers in Hayward and vicinity. The service so offered would not be profitable from a revenue standpoint until the territory undergoes a further substantial development. Applicant offers to supply additional territory in this community as the public necessity may require.

Alameda County Gas Company is a newcomer in the field of public utilities. It proposes to finance this project by the issuance of bonds and stock and stands ready and willing to either erect and equip a generating plant of its own or to purchase gas at wholesale from the Pacific Gas and Electric Company for re-distribution. It offers to furnish gas to the

consumers throughout this territory at an average cost of \$1.64 per thousand cubic feet.

There seems to be no question as to the necessity for the installation of gas service in this territory, though there is some variance between testimony of the two applicants as to the number of prospective consumers. However that may be, we have here a growing community with an acknowledged definite demand for gas service and we have only to determine from the facts before us which applicant is the better equipped to render such service.

Pacific Gas and Electric Company is an established institution of undoubted financial responsibility. The public is assured of its ability not only to initiate the service here proposed but to properly finance to an unlimited degree such improvements and further extensions as the necessities of the territory may from time to time require. On the other hand, we are doubtful whether Alameda County Gas Company is financially prepared at this time to assume the responsibility which the granting of this certificate involves. Moreover, should we grant their application, it would mean that the consumers would be required to pay one-third more for their gas than they would pay to Pacific Gas and Electric Company for the same service.

For these reasons we have come to the conclusion that, all things considered, the public interest will be best served by granting the application of the Pacific Gas and Electric Company.

We are not unmindful of the fact, however, that Pacific Gas and Electric Company did not make this offer of service until competition came knocking at its door. Alameda County Gas Company, recognizing the possibilities afforded in this new field, filed its application for a franchise with the County Board of

Supervisors as early as September, 1927, a month in advance of Pacific Gas and Electric Company. The Commission has often given expression to its attitude towards the applications of utilities under similar circumstances. In Pacific Gas and Electric Company vs. Great Western Power Company, decided in 1912 and reported in 1 CRC 103, the principle was announced that only until the time of threatened competition shall an existing utility be allowed to put itself in such a position with reference to its patrons that the Commission may find that such patrons are adequately served at reasonable rates. By announcing this principle it was believed an incentive was held out to existing utilities to voluntarily accord service to which the public is entitled, and to new utilities is held out the incentive to develop new territory.

In subsequent decisions the Commission has re-affirmed the doctrine that public utilities must not wait until competition is at their door before improving inefficient service, correcting unreasonable rates, or making necessary extensions.

A utility owes a duty to that portion of the public which seeks to obtain service as well as to that portion of the public which is already being served. In the case before us there is no question that Pacific Gas and Electric Company made its offer of service only to forestall competition and filed its application for a certificate of public convenience and necessity only when forced to do so. For that reason it cannot urge a superior right to serve a territory which it has heretofore shown no disposition to enter. Much as the Commission might look with favor upon the efforts of a new utility to develop an unserved territory we are compelled in this instance, on account of the great disparity in rates and certain elements of financial ability, to grant the application of Pacific Gas and Electric Company.

We will require that Pacific Gas and Electric Company make additional gas main extensions to the remaining centers of population in this territory on a basis at least as liberal as that now held out to the consumers whom it proposes to serve immediately.

O R D E R

Pacific Gas and Electric Company and Alameda County Gas Company having each made separate applications to the Railroad Commission for certificates of public convenience and necessity to exercise certain rights and privileges granted by the County of Alameda in Ordinance 178 and 176 respectively, and Alameda County Gas Company having further applied for permission to issue certain bonds and stock as more particularly appears in Application No. 14233, a public hearing having been held and the matters being now ready for decision,

THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA hereby declares that public convenience and necessity require the exercise by Pacific Gas and Electric Company of those rights and privileges granted by Ordinance 178 of the County of Alameda, subject to the following condition:

Pacific Gas and Electric Company shall file with this Commission within fifteen (15) days after date hereof a stipulation agreeing to make initial extensions of its gas mains to the towns of Irvington, Mt. Eden, Mission San Jose and Warm Springs on a basis as liberal for each of these localities as holds for the extension which it proposes to immediately construct, and

IT IS HEREBY ORDERED that the application of Alameda County Gas Company be and the same is hereby denied.

The effective date of this order shall be twenty (20) days from the date hereof.

Dated at San Francisco, California, this 9th day of March, 1928.

C. Seaver
Emma Scott

M. A. Lee
Commissioners.

While I concur in the order hereinabove set forth, I do not agree with certain parts of the opinion from which it might be inferred that the Pacific Gas and Electric Company has not met the growing needs of the community it serves. Such in fact is not true. The citations from the Pacific Gas and Electric Company vs. Great Western Company and the comments hereafter are not justified by either the record or the facts and, in my judgment, should have been omitted from the opinion.

Edmund West
Commissioner
Thos. J. Houtch
Commissioner