

Decision No. 21512

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the matter of the application of
WESTERN NATURAL GAS COMPANY for a
certificate of public convenience
and necessity to construct a natural
gas transmission line and appurte-
nances and exercise rights under
franchises and permits.

Application No. 15675.

ORIGINAL

Thelen & Marrin, for applicant.
C. P. Cutten, for Pacific Gas and Electric Company.
T. J. Reynolds, for Southern California Gas Company.
R. L. Vaughan, for Coast Counties Gas and Electric Company.

WHITSELL, COMMISSIONER:

O P I N I O N .

In this application, Western Natural Gas Company, incorporated under the laws of the State of California on May 29, 1929, asks the Railroad Commission for an order certifying that public convenience and necessity require and will require the construction and operation by applicant of a natural gas transmission line project hereinafter described and the exercise by applicant of necessary franchises, etc., in connection therewith. Public hearings were held on this application at San Francisco on June 20 and June 21, 1929.

As set forth in the application and testimony introduced at the hearings, applicant proposes a natural gas transmission line from Kettleman Hills Oil Field in Kings and Fresno Counties, and Dudley

Ridge Oil Field in Kings County, north through the San Joaquin Valley and westerly through Contra Costa County to Richmond, with branch lines to serve Merced, Modesto, Stockton, Lodi and Sacramento. Applicant proposes to sell natural gas to companies, which now distribute manufactured gas in the area traversed; to ultimate consumers in some localities which are not now served; to large industrial consumers adjacent to the line and to transport natural gas for oil companies and others.

Applicant submitted two general plans for the construction of its project, which differed principally in the territory to be served under each. One plan contemplating service principally to the oil refineries and industries located along the shore of Contra Costa County from Martinez to Richmond, involving approximately 200 miles of transmission line and an expenditure of about \$6,667,000.00; the other plan, involving a larger line and branches totalling over 275 miles, would also supply natural gas at the gates of Sacramento, Stockton, Merced and Modesto, at a cost of construction estimated at approximately \$8,863,000.00.

The application was opposed by the Pacific Gas and Electric Company and Coast Counties Gas and Electric Company. The Pacific Company has supplied manufactured gas for many years in northern California and is now building a pipe line from the Kettleman Hills Fields to San Francisco and Oakland, ^{ed}certificat^{ed} by Decision No. 21311. It has also applied for a certificate permitting the construction of a line on the same general route as that proposed herein and protests against what it alleges to be unnecessary competition and wasteful duplication. Coast Counties Gas and Electric Company distributes manufactured gas in Antioch, Martinez, Concord, Pinole and adjacent territory in northern Contra Costa County and protests the granting of a certificate to the Western Company only to the extent that it may result in competition with the Coast Counties Company.

It is not questioned that public convenience and necessity require and the market now justifies at least one line along the proposed route and there is little if any doubt that considerable additional capacity will be required in a comparatively few years; neither have the ability and willingness of the Pacific Company to provide all the necessary facilities to meet the requirements of the market been questioned. The protest of the Coast Counties Company applies with equal force to the construction proposed by both the Pacific and Western Companies, and may be satisfied in the same manner whether either or both of the proposed lines are built. The Commission must, therefore, decide whether it is in the public interest to permit the Pacific Company to expand its service or to permit the new company to enter the field, or to permit both companies to serve under competitive conditions. The two companies offering this service would depend upon substantially the same source of supply and their transmission lines would follow the same general routes. As far as the territory now in question is concerned generally, the same markets would be served by both. There are two fundamental questions to be decided: one, the relative ability and willingness of the two companies to adequately meet the needs of the public and the other, the necessity and desirability of competition.

The Pacific Company and its predecessors have supplied manufactured gas in northern California for about 75 years and electricity for approximately 50 years. In 1928 its gas mains reached about 95% of all the gas consumers in and north of Fresno and carried over 95% of all the gas sold in the same area. For over 15 years its service rates and financing have been under the jurisdiction of the Railroad Commission. During this time its service has been of a generally high quality and has been voluntarily improved and extended. The rates charged have been those fixed by the Commission from time to time and,

in the last eight years, no complaint regarding their reasonableness has been filed with the Commission. The Pacific Company has been financed by the sale of securities of the operating company without recourse to holding company financing and, for the past fifteen years, the issuance of all securities sold to the public has been authorized by the Commission. The control and management of the company has been in the hands of local people. Its business is long established, well diversified, and its financial structure satisfactory. Money derived from recent sales of bonds has cost the company $4\frac{3}{4}\%$, including the amortization of discount, and it has been able to sell $5\frac{1}{2}\%$ preferred stock at par.

As far as the State of California is concerned, the Western Company and those behind it are newcomers, incorporation having been effected but a few days before the filing of the application. Neither it nor its promoters have ever engaged in the public utility business in California. Its president testified that the securities of Western Natural Gas Company would be sold to Western Gas Company, a Delaware corporation, and indicated his belief that its bonds should bear interest at 6% and its preferred stock carry a $6\frac{1}{2}\%$ dividend. He was not sure that in the present market these securities could be sold at par value.

If only one company is to be permitted to serve, but little need be said as to the choice between the two applicants. It is no reflection on the ability nor the intentions of the Western Company to say that the distribution and commercial facilities of the Pacific Company are already established throughout practically the entire territory in question;

that it can finance necessary capital expenditures more cheaply, and that the quality of its service and satisfactory relations with its consumers are better proven by past performance.

There remains the question of competition as to whether the consuming public will be better served by the Pacific Company alone or in competition with the Western Company. In deciding one of the early cases of this kind, (re Oro Electric Corporation, 2. C. R. C. 755-7) which has become one of the leading cases in California on this subject, Commissioners Eshleman and Thelen interpreted what was then the new policy of certification in the following language:

"Under the new state policy, these conditions are radically different. In the first place the Railroad Commission is given the right to establish the rates of all utilities in territory over which the Commission has jurisdiction. The result will be, that while the utilities will be allowed a just compensation of the value of their property used and useful for the public purpose, they cannot continue to expect the public to pay to them rates high enough to yield unreasonably high returns on the property. As the right to the former high returns has in effect, been taken away, it is only fair that the utilities shall receive a degree of protection from possible competition, in case they are doing their full duty, so that what they lose in the way of possible unreasonably high returns they shall, in a measure, gain in greater security to their investment. This principle, however, applies only to such utilities as are doing their full duty to the public. The protection to the investment of a utility which is doing its full duty to the public is demanded, not merely as a matter of fairness, but also as a matter of common sense. *****

"Under this new state policy, competition between public utilities is not of itself necessarily a good thing. Whether or not it is a good thing depends upon the results which flow from it in each particular case. If just as good results can be secured by regulation and supervision under State authority of an existing utility which is a natural monopoly, so that the rates and service enjoyed by the public are as good as they reasonably could be under normal competition, the consuming public has nothing to gain by competition, while that portion of the public which invested its funds in the securities of an existing utility may have much to lose by a competitive condition which, while not helpful to the consuming public, can be extremely hurtful to the investing public, and particularly discouraging to persons who are proposing to invest their money in the development of new utilities in this State in sections thereof where there are no existing utilities of the same character and where they are imperatively demanded for the development of the State."

And again in the same Decision, at page 765:

"A utility desiring to enter a field being served by another utility of like character should understand that it cannot make out its case by simply figuring out rates slightly lower than those of the existing utility, but that it must present to the Commission evidence clearly showing what rate it can reasonably give to the public and at the same time secure for itself a reasonable return on the value of the property actually used and useful for the public purpose."

In an earlier decision is found the following statement of one of the conditions under which the Commission felt that competition would be a good thing in a particular case (Decision No. 107, June 18, 1912, 1 C. R. C. 203 at page 211);

" If, however, a territory is completely served and the utility has, to the best of its ability, given fair treatment to its patrons, as already intimated, this Commission will be slow to permit a competitor to come into its territory. One of the few cases where, under such circumstances, the competitor will be permitted to enter the field, will be where the competitor can adequately furnish the commodity at a rate so much less than the rate which can be accorded by the existing utility, that the interests of the public demand the commodity at the lower rate."

In applying the policy so outlined to the present case, we are confronted with a complete lack of evidence that the Western Company can furnish service of any better quality or any more cheaply. Its project is substantially the same as that of the Pacific Company. Its cost of capital has been shown to be greater, and it does not have the advantage of other business in the same territory. Its application and supporting testimony indicate a desire to serve principally industries and large consumers. The loss of these consumers to the Pacific Company may prove a disadvantage to the general consuming public in this and the other territory served by that company, but there is nothing in the evidence nor in the general circumstances to show that these large consumers could be better served by the Western than by the Pacific Company.

On one point the conditions here presented appear at first glance to satisfy those, which have in the past been considered by the Commission to justify competition in this, that the territory offered to be served by the applicant is not served to the point of saturation that will follow with the advent of natural gas from whatever source or agency such service is provided, but the record shows no lack of diligence on the part of either Coast Counties Company or Pacific Company toward bringing about such a condition. The Pacific Company has been supplying an adequate service of manufactured gas to the territory in question, and before the appearance of the Western Company, was proceeding to bring in natural gas from the same source and by the same means. The Pacific Company has for over a year kept closely in touch with the Commission in connection with the bringing in of natural gas to the entire northern California market and has many times outlined to the Commission its intention of extending natural gas service to the major portion of the territory which it now serves and elsewhere.

It is clear from the record that the territory now receiving manufactured gas service from either Pacific Company or Coast Counties Company comprises substantially all of the profitable territory, which would be served directly or indirectly by the projects contemplated in this application. The Western Company could serve the market only by competing with one or both of the long established agencies.

Economic conditions are not such as I believe will make for healthy competition. One company is large, well established, has extensive resources and strong local financial connections, and will be in competition with a much smaller and weaker company entering a new field. It appears that the operations of the Western Company can be successful only if it secures a substantial portion of the business which it has found to be presently available and a reasonable share of the future growth. We see no reason to expect a greater future growth as a result of the entry of the Western Company into the field.

The inevitable result, under such conditions, would appear to be unnecessary duplication and ultimate consolidation. Certain advantages, which there undoubtedly are in competition would be secured to the public for only a short time, and after that period there would be the heritage of needless expenditures, which it is one of the purposes of public regulation to prevent.

One of the principal reasons advanced by applicant for the granting of its desired certificate was that applicant's proposed line would hasten the service of straight natural gas to the consumers of the territory involved, both on the part of applicant and the other utilities now serving manufactured gas therein. But since the record is clear and uncontradicted that the Pacific Company has for many years adequately served its dedicated area and has from time to time extended its service throughout northern California as the demands of consumers required and has long contemplated the introduction of natural gas into its said dedicated area and elsewhere in northern California; and has in fact actually pioneered the bringing in of natural gas and has expressed its desire and intention to serve straight natural gas to its present customers and all others desiring said service and has proposed a reasonable program which will, within a short time, enable it to serve straight natural gas to the entire territory now proposed to be served by applicant, it appears that it is in the public interest that Pacific Company be allowed in an economical and orderly manner to carry out that long evidenced intention and well worked out program unhampered by this threatened competition.

Certain rates have been proposed by applicant but I am not convinced from the evidence in the case that these rates are economically possible for applicant or on the other hand that existing companies will not be able to equal or better the proposed rates of applicant. The rates

which Pacific Company and Coast Counties Company shall charge for natural gas service have not as yet been determined by the Commission. The Commission can and will enforce the establishment of the lowest possible rates consistent with the rendition of adequate service.

I believe from the record in the case that public convenience and necessity do not require the granting of the application herein sought and I also believe that the interests of the consuming public of the broad territory now being served by and dependent upon the Pacific Company will be best served by a denial of said application.

I, therefore, recommend the following form of order:

O R D E R

Western Natural Gas Company having applied to the Railroad Commission of the State of California for an order and decision certifying that public convenience and necessity require and will require the construction and application by applicant of the natural gas transmission line project outlined in its application No. 15675, and the exercise of rights, franchises and permits for use in connection therewith, public hearings having been held, the matter being submitted and now ready for decision,

IT IS HEREBY ORDERED that this application be and it is hereby denied.

The effective date of this order shall be twenty (20) days from and after 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 3rd day of August, 1929.

W. O. Lovell

Emmanuel G. Leon
Whitell

Commissioners.

DISSENTING OPINION

I disagree with the conclusions reached by the majority of the Commission in this matter. Broadly stated, such conclusions appear to be based on the propositions that because the Pacific Gas & Electric Company now serves 95% of the gas business in California north of Fresno; because by extension of its lines it can serve any territory not now served in northern California; because it has and can give good service; because it may be able to finance more cheaply than this applicant, and because competition is destructive, no person or company other than the Pacific Gas & Electric Company should be allowed to bring natural gas into this territory. I cannot agree that because of these reasons the Pacific Gas & Electric Company acquires any such rights to territory in which it has not presently established and dedicated its service.

The invasion of dedicated territory is not an issue here. Applicant does not propose to sell directly for domestic or commercial purposes. It does not propose to sell in competition with the Pacific Company in the industrial territory which the Pacific Company now serves. The only proposal of applicant that might by any stretch of the imagination be termed competition in Pacific Company's present territory is its offer to sell for resale purposes to the Coast Counties Gas & Electric Company, now being served by the Pacific Company.

The matter of rates cannot enter as a primary consideration under this record, for neither this applicant nor Pacific Company has filed any rates for industrial purposes. Rates are further subordinated by the fact that gas as an industrial fuel is

in constant and close competition with oil. Nor will the difference in the cost of financing between the two companies have any effect upon the rates to the consumers.

Competition between companies in this new natural gas industrial territory cannot be said to be necessary as a means of compelling reasonable prices to the industrial consumers in the light of the competition that oil as a fuel affords. But as I read this record, competition such as might exist if applicant's petition were granted would be of very minor importance as compared to the benefits that would flow to the public and even to the Pacific Company itself.

From the standpoint of natural gas service, we have here a tremendously potential territory. In Los Angeles and other communities a number of wholesaling as well as retailing companies have built different pipe lines without detriment to the public interest and in fact greatly to its benefit.

The Pacific Company proposes to build a line which would physically parallel applicant's line but which, according to the avowed purpose of the Pacific Company, is primarily to form a loop to protect the service of natural gas in its present Bay territory and to serve its other localities.

The Western Company proposes its line primarily for industrial, resale and transmission purposes, and secondarily to insure service over the entire territory under emergency conditions. The great industrial possibilities of this region alone warrant this stabilized service and the domestic and commercial consumers are, under the circumstances, entitled to this additional security.

A perusal of the record has convinced me that Western Natural Gas Company has proven public convenience and necessity and

that no policies established by this Commission will be violated
by granting applicant a certificate in the territory it has covered
by proof.

C. Searcy

Commissioner.

I am unable to join in the conclusion that the bringing of a natural resource like gas to the San Francisco Bay area should be entrusted and confined to a single mandatary.

The advent of natural gas to this region became inevitable with the opening up of the Kettleman Hills oil field. Its coming is a matter of vast importance. It means a better and a cheaper fuel for domestic and household uses and to industry a new fuel to compete with and possibly to supersede oil. Properly introduced and distributed it holds out promise of increased industrial development.

Pacific Gas and Electric Company, a public utility serving much of the central and northern part of the State with artificial gas, which because of its cost is not used for domestic purposes to the same extent as the cheaper and better natural gas is used in places like Los Angeles and for like reasons is not used to any appreciable extent as an industrial fuel, insists it should be given a monopoly not only of the distribution of natural gas to domestic consumers and to industries within its territory but also of its transportation to the Bay area and its wholesaling to distributing companies in territory not covered by its own lines. Coast Counties Gas and Electric Company, a small resale utility which has been distributing artificial gas purchased from the Pacific Company in the Contra Costa section, where many large industries are located, insists that no one should trench upon its territory even though it has not been heretofore serving the industries there located with gas of a character and under rates making its use feasible in competition with oil as a fuel.

The Western Natural Gas Company does not propose to engage in a retail business. Its general set up is (1) to transport gas from the field to various major oil refineries around the

bay, (2) to wholesale gas to the Coast Counties Company for re-distribution to its domestic consumers and also to industries within its territory if it is able to handle this business in competition with oil, (3) if Coast Counties Company cannot handle the large industrial business then to sell directly to such industries, and (4) to pick up some small amount of domestic and industrial business along its line which is not now served with gas. Even with service to Coast Counties Company its gas usage for domestic and household business will be small. Its enterprise is essentially and primarily the supply of natural gas as an industrial fuel. It insists there will be an ample market for its gas in addition to the market which can be cared for by facilities proposed by the Pacific Company.

The Pacific Company, under certificate from this Commission, already has constructed a pipe line from Kettleman Hills to Milpitas, with branches from there to San Francisco and Oakland, to serve its consumers about the bay not with a straight natural gas but with a reformed or mixed gas having some but not great advantages over the artificial gas it now serves. Some of the natural gas to be transported by this line it proposes to use as a fuel at its own electric generating plants and it proposes to serve some straight natural gas to industries. On the same day the Western Company applied for certification the Pacific Company applied for a certificate for authority to tap its present line at Panoche junction, some 42 miles from the field, and to run a branch main to Richmond and from there connect with its Oakland branch from Milpitas. Both this proposed branch and the proposed line of the Western Company extend through the territorial limits of the Coast Counties Company, where there are located many large industries which are potential users of natural gas. The record here does not indicate

any definite plan by the Pacific Company to serve a straight natural gas for domestic purposes.

The Pacific Company presented no survey of the market possibilities of its lines but the Western Company presented evidence tending to show there was a market for the gas to be introduced by the Pacific Company by its proposed lines, exclusive of the market the Western Company seeks.

The "protection" rule invoked by the Pacific Company and the Coast Counties Company is usually stated in the form of the following excerpt from Pacific Gas and Electric Company v. Great Western Power Company, 1 C.R.C. 203 at page 209, the numbers being mine:

"It certainly is true that where a territory is served by a utility (1) which has pioneered in the field, and (2) is rendering efficient and cheap service and (3) is fulfilling adequately the duty which, as a public utility, it owes to the public, and (4) the territory is so generally served that it may be said to have reached the point of saturation as regards the particular commodity in which such utility deals, then certainly the design of the law is that the utility shall be protected within such field; but when any one of these conditions is lacking, the public convenience may often be served by allowing competition to come in."

Having reference to the fourth condition, the following excerpt from the opinion indicates what the Commission had in mind:

"Competition does not necessarily become duplication unless the field covered by a natural monopoly is completely served. California has just begun her development. We have no doubt that as a rule in this State the going in of a second utility will develop a considerable amount of new business, while leaving an ample field for the existing utility. Such being the case, the instances wherein this Commission will deny a certificate of public convenience and necessity by reason of the fact that another utility is already in the field will be comparatively rare."

This is peculiarly applicable here where the major use of natural gas will be as an industrial fuel. In this field artificial gas has not been a factor. This field has not been developed to the point of saturation. Rather it may be described

as unoccupied. An excellent illustration of what the Commission has done in the past in a situation such as here presented is found in re Sierra & San Francisco Power Company, 12 C.R.C. 560. There Coast Counties Gas & Electric Company was protesting against the Power Company serving Old Mission Portland Cement Company in the general territory of the protestant. Service by the Power Company under certain conditions was permitted. (See same case, 13 C.R.C. 54). The following language appearing at pages 576 and 577 of the opinion is significant:

"Coast Counties company contends, with much merit, that inasmuch as it is at present occupying the territory and giving proper and adequate service at reasonable rates, it should be protected in the enjoyment of its present monopoly. With this general contention, assuming the premises are correct, I am in entire agreement. However, in finally passing upon the degree of protection to which a utility is entitled in a specific case, it is essential that the obligation undertaken by the utility shall clearly include the particular class of service for which it desires protection when another utility of similar character desires to enter the field. An existing utility is required to demonstrate not only its ability to serve but also the extent to which it holds itself out to serve; otherwise a financially-weak utility with limited facilities which are designed to serve, or which are capable of serving, only the relatively small consumer, could claim protection of territory when a class of business develops for which it has made no provision either as regards rates or supply facilities. Clearly, protection of this character is directly contrary to the public interests, and if indulged in would effectually discourage the establishment of new enterprises in the territory so protected and remove the inducement and necessity for supplying proper utility service to all who may apply. In this connection it may be well to point out that a utility's claim to protection can not be maintained as against the public which demands service beyond the ability of the utility to supply, or of a character not contemplated in the obligation which the utility has assumed. The limitations of a utility's ability to serve involves questions of facts which may be readily determined, while the self-imposed limitation of obligation to serve can best be disclosed by the actual operations of the utility and by its regularly established rate schedules. In the case at hand, as has already been related, Coast Counties company has established no rate applicable to power of the magnitude in character of the cement plant requirements, nor has it the ability, either as regards the cost of

energy at present produced and purchased or as to supply facilities, to supply Old Mission Portland Cement Company at a rate which would enable the cement company to compete in open market with other plants of similar character."

Neither the Pacific Gas and Electric Company nor the Coast Counties Gas and Electric Company has brought itself within the requirement of condition (4) so as to entitle them, or either of them, as a matter of right to the "protection" which they claim.

Nor is it at all clear that the Pacific Company has brought itself within the terms of the second condition referred to in the rule. That has to do with the question of rates. While the rate question was not gone into extensively in the record, there are one or two significant items of evidence on this point which are worthy of mention. The Pacific Company, when it applied for permission to build its pipe line from Kettleman Hills to Milpitas, with branches to San Francisco and Oakland, for the service of a mixed gas (App. 15602), asked authority to increase its rates for wholesale service to the City of Palo Alto from 62¢ to 72¢ per thousand cubic feet for the first 5,000,000 cubic feet per month, and from 40¢ to 50¢ per thousand cubic feet for all over 5,000,000 cubic feet per month. Western Natural Gas Company proposes a wholesale rate for natural gas of not to exceed 30¢ per thousand feet. Again it appears in the record that the Pacific Company wholesales to the Coast Counties Company at 47¢ per thousand cubic feet plus a demand charge. There is nothing in the record indicating a different rate for

this Company. This is comparable to the maximum charge of 30% proposed by the Western Natural Gas Company.¹

Considerable emphasis is laid by the Pacific Company on the claim that it kept the Railroad Commission informed of its plans and purposes in respect to the introduction of natural gas. It is doubtful if this circumstance is entitled to any weight. Certainly if it is to be considered everything which occurred in this regard should be taken into account. Were all of the proposals of this Company in respect to the rates it desired as well as provisions respecting depreciation clearly in the record its representations to the Commission might lend little support to the claim that it was meeting the terms of the second condition referred to.

It is sometimes argued that condition (2) means very little because of the fact that the Railroad Commission has jurisdiction over the rates of a utility and fixes them. This is not so. The utility may voluntarily reduce its rates and place them upon the proper level. The fact that the Railroad Commission has not reduced the rates of the utility does not obviate the necessity of voluntary action upon its part if it proposes to keep itself within the terms of the second condition. This appears very clearly on page 211 of the main opinion in which the rule was enunciated, where it is said:

*****we hope we shall hold out to the existing utilities an incentive which will induce them voluntarily, without burdening this Commission, or other governmental authorities, to accord to the communities of this State those rates and that service to which they are in justice entitled, and to the new utilities we shall likewise hold out the incentive that on the discovery by them of territory which is

1. The wholesale rate is particularly significant because both the Pacific and Western Companies indicate a desire to reach the industries located in the territory of the Coast Counties Company through wholesaling to that Company.

not accorded reasonable service and just rates, they may have the privilege of entering therein if they are willing to accord fair treatment to such territory."

Thus it seems reasonably plain that neither of these two utilities which are protesting the certification of Western Natural Gas Company have brought themselves within the terms of the technical rule respecting the protection of existing utilities. It is therefore open to the Commission to determine this application having in mind only broad questions of public interest and welfare.

Being of the opinion that the public interests will best be served by allowing the Western Natural Gas Company to enter the field of transporting natural gas to the Bay area, it is appropriate that I outline briefly the reasons for this view.

First: The bringing of a natural resource like gas from a distant field where produced to the place of use should not be monopolized in the absence of plain and convincing evidence that the public will be better served by a single mandatary. The record does not contain evidence of this character.

Second: Ready availability of this resource at the gates of the Bay area will tend to increase its use - an end to be desired in view of the public policy of the State respecting the prevention of wastage of natural gas. Natural gas is a vital lifting agency in the production of petroleum. Its free and extensive use will facilitate and fit in with the sane and orderly conduct of the oil industry of this State while tending to stop the blowing of gas into the air and its consequent wastage.

Third: The weight of the evidence in this record is that there is a market for natural gas in the Bay area which, if not unduly restricted, will justify the construction and operation of the lines constructed and proposed by the Pacific Company and the line proposed by the Western Company.

Fourth: The Pacific Company is primarily interested in the service of its domestic consumers. Furnishing gas for industrial fuel will be of secondary importance. Shut-off schedules will doubtless prevail to a considerable extent. The evidence indicates that a properly developed industrial market will call for more gas than the domestic and household. Western Company under its general plan will be interested primarily in supplying the industrial market. Considering the importance to the public of industrial development, it is reasonable to conclude that there should be at least one line concerned primarily with the service of industries and the development of industrial uses of natural gas. In this way there should be a more balanced and healthy development of gas usage than might occur if the introduction of gas is confined to a company the primary interest and obligation of which is the service of its domestic and household consumers and to which industrial uses would be important chiefly to absorb its excess gas.

Fifth: An additional pipe line from the field to the Bay area will give added assurance of the permanency of the supply of natural gas. A single line has elements of risk which are obviated when a second line is available. So far as the present record is concerned, the Pacific Company does not propose a second line from the source of supply but merely a branch tapping its present line 42 miles from the source. The Western Company offers to furnish some standby service to the Pacific Company's domestic business.

Sixth: A second pipe line dedicated to public utility service with public authority having some jurisdiction to require interconnections and the like will better subserve the public interest than will a series of non-utility lines entering the field. While this Commission has the authority to prevent a second utility line coming to this territory, I doubt if it can prevent a non-

utility service such as would result if large users of gas like the oil refineries should contract with some agency to transport their own gas from the field to the place of use. (Producers Transportation Co. v. Railroad Commission, 251 U.S. 228).

Allowing the Western Natural Gas Company to build a line to the Bay area does not mean that the Railroad Commission will relinquish all supervision over the local distribution of gas. This should be controlled to the end that needless duplication of local facilities be avoided and, within reason, that inequity does not result to existing utilities. As the Western Company proposes only a wholesaling business it is unlikely any serious question in this respect will arise. It should, I think, be permitted to serve the Standard Oil Company's refinery as contracted for and probably other oil refineries. Such service is essentially the mere transportation of the oil companys' gas to their respective refineries. If the Coast Counties system can be used as an agency for serving the various industries within its general territory it should be so used. If it is unable to deliver purchased natural gas so as to successfully compete with oil and other fuels it should give way to someone who can. It would be no worse off than it is now, because it does not have this business at the present time.



Commissioner.