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Decision No. _____.

ORIGINAL

Decision No. 2895

BEFORE THE RAILROAD COMMISSION OF THE
STATE OF CALIFORNIA.

CITY OF SAN JOSE, a municipal
corporation,)

Complainant,)

vs.)

Case No. 818.

PACIFIC GAS & ELECTRIC COMPANY,
a corporation,)

Defendant.)

Earl Lamb, City Attorney of San Jose,
for complainant.

C. P. Cutten and W. G. Vincent, Jr.
for defendant.

BY THE COMMISSION.

O P I N I O N

This is a proceeding by the City of San
Jose against Pacific Gas & Electric Company, in
which plaintiff prays for an order of this Commis-
sion directing the defendant company to extend its
gas mains along Willow Street in the city of San
Jose from Prospect Street westerly to the city lim-
its.

The answer of defendant corporation admits the refusal of defendant to make the extension sought but denies that such refusal is unreasonable and alleges in effect that the investment required to make the extension would be approximately \$4,838. and that the annual revenue that would be obtained therefrom would not exceed \$360. per annum.

The matter came on regularly for hearing at San Jose, California, on September 21, 1915. Evidence was submitted by the plaintiff to the effect that proceedings to pave Willow Street along the line of the proposed extension have been started and that it is the intention of the city to let contracts for the doing of that work as soon as the antecedent steps, required by the so-called Street Improvement Act, have been taken. The Commission's engineers introduced in evidence an estimate that there would be an additional cost of \$1,757.67 in the making of the proposed extension if it were not made until after the paving of Willow Street had been completed. This estimate was not questioned by defendant whose superintendent testified that he estimated that the additional cost for making the extension after paving would be an advance of about thirty per cent.

Plaintiff introduced evidence to the effect that there are approximately 40 houses along Willow Street from the end of the present mains at Prospect Street to the city limits near Bartlett Avenue and at least twenty-seven people along this extension would take service.

Defendant introduced evidence to the effect that nineteen persons along the proposed extension have signed applications for gas service.

Mr. Caldwell, superintendent of the "new business" department of the defendant company at San Jose, testified that it is the experience of the defendant company that in going into new territory people who have originally been against or would not sign a contract to consume gas afterwards became patrons of the company. Upon cross examination of defendant's witnesses it appears that on an average the company served about seventy-five per cent. of the houses along any street where gas mains are located.

From the foregoing testimony it seems reasonable to estimate that at least twenty-five consumers will be obtained along this extension within the near future from which a revenue of \$400. per annum should be obtained. The estimate of cost of the extension submitted by the defendant was \$4,838. This, however, called for an extension of six inch cast iron pipe the entire length of Willow Street from Prospect Street to Delmas Avenue, approximately 1800 feet of which is outside the city limits.

It appears from the testimony of both witnesses for defendant and the Commission's engineers that the present consumers could be adequately served with a four inch main, in fact a three inch main could serve the present residents along Willow Street who are likely to become consumers. An esti-

mate of the cost of a four inch main along Willow Street within the city limits including service to twenty customers made by the Commission's engineers is \$2,367. Defendants estimate covering the same extension was \$2,245.12. The Commission's engineers testified that only sixty per cent. of the cost of a four inch main extension was properly chargeable to present consumers, which would make the total investment to be charged to those consumers \$1,554.20, the remainder of the cost to be charged to additional consumers to be obtained along these extensions and to the improvement of the entire distributing system of the defendant company.

Further testimony was introduced to the effect that Willow Street at present has a ten minute car service, water service and sewerage connections and when paved should develop very rapidly. Furthermore that there are at present along the line of the proposed extension thirty houses on cross streets within one block north or south of Willow Street from which twenty-seven signatures have been received from petitioners for gas service. The matters involved in this case were originally taken up in Case No. 478 before this Commission, the complaint as to extensions in that case having been dismissed on account of lack of evidence. It was stipulated by counsel in this proceeding that the evidence introduced in Case No. 478 should be considered as a part of the evidence in this case. From the evidence in

Case No. 478 it appears that the operating expenses of the defendant company including maintenance and taxes for San Jose District are approximately 61 per cent. of the gross revenue. Applying the above ratio of expense to the anticipated revenue to be derived from the proposed extension there would be an amount equal to \$156. per annum to cover interest and depreciation. Strictly speaking this amount should be apportioned over the distributing and generating capital out of which approximately twenty-seven per cent. is generating capital, leaving seventy-three per cent. to cover fixed charges on this distribution investment. Capitalizing the result at ten per cent. the total revenue would justify an investment of approximately \$1,140. in distributing system.

On the assumption that the present applicants should bear the entire cost of a four inch main which is admittedly larger than is necessary to serve their needs, it appears that there will be an investment of \$1217. upon which no amount will be earned to cover interest and depreciation. On the Commission engineer's theory that only sixty per cent. of the cost be charged to the present consumers there would be an investment of \$414. upon which no such return will be made. Assuming an interest and depreciation charge of ten per cent. per annum the deficit on the local investment would be \$121.70 on the first basis and \$41.40 upon the theory that charges to the present consumers sixty per cent. of

the cost of installing the four inch main. On the other hand it is apparent that by installing the pipes at the present time a saving of approximately \$1,700. will be made. This saving seems sufficient to justify the investment being made at the present time, especially when it is considered that there is considerable probability of growth of business in the territory, that the defendant has a monopoly of the gas business in the city of San Jose and has a constitutional franchise to extend its gas mains on all streets. This privilege as stated in previous decisions of the Commission should carry the obligation to serve the consumers, although the local investment in specific extensions or localities does not appear in itself remunerative.

O R D E R

A public hearing having been held in the above entitled case and each side having introduced evidence and the case having been submitted and being now ready for decision, and the Commission finding that the directions hereinafter given are just and reasonable,

IT IS HEREBY ORDERED that Pacific Gas and Electric Company, a corporation, be and the same is

hereby directed to extend its gas mains along Willow Street in the City of San Jose from its present mains at Prospect Street westerly to the city limits of San Jose, at its own expense, and thereafter to serve consumers therefrom at rates for gas in effect in the City of San Jose.

IT IS FURTHER ORDERED that said mains so ordered to be extended as aforesaid shall be of a size sufficient to serve any and all persons residing along Willow Street between the points aforesaid.

AND IT IS FURTHER ORDERED that if there is any apparently unreasonable delay in the execution of this order complainant may make further representation to this Commission.

Dated at San Francisco, California, this 11th day of November, 1915.

Max Thelen

John G. ...

Edwin O. Edgerton

Franz ...

Commissioners.