

Decision No. 24565

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

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ORIGINAL

In the Matter of the Petition of the
City of Visalia, a municipal corporation,
praying that the Commission fix the just
compensation to be paid by petitioner
for the water system and appurtenant
properties and rights of Visalia Water
Company, a corporation, California Water
Service Company, a corporation, and C. B.
Jackson, also known as Charles B. Jackson,
the owners or reputed owners or claimants
thereof.

)
) Application No.
13668

E. I. Feemster, City Attorney, for Applicants

McCutcheon, Olney, Mannon and Green, for
Visalia Water Company, California Water
Service Company, C. B. Jackson (also
known as Charles B. Jackson), and Citizens
Trust and Savings Bank, Respondents

WHITSELL, Commissioner:

O P I N I O N

This is a proceeding under Section 47(b) of the
Public Utilities Act in which the City of Visalia, hereinafter
referred to as the City, asks the Railroad Commission to fix and
determine the just compensation to be paid by the City of Visalia
to the California Water Service Company, hereinafter referred to
as the Company, for the taking of certain land, property and
rights of the Company, which land, property and rights are de-
scribed in Article VII of the petition filed April 5, 1927, and
consists of the water distributing system and rights of the Com-
pany in the City of Visalia and adjacent territory.

During the hearings the Company raised several points of law in objection to the proceeding, which, after consideration by the Commission were ruled upon adversely to the Company.

Just compensation is herein to be determined upon said lands, properties and rights as of April 5, 1927. The City seeks to have the Commission fix the just compensation to be paid by the City for all of the properties owned by the Company in and adjacent to the City of Visalia. There are, therefore, no questions involving severance damages and the only question to be determined is the just compensation to be paid for the property to be taken.

We have in the record three engineering reports as to reproduction cost new and reproduction cost new less depreciation, one each by the engineers of the Commission, City and Company. There is complete agreement as to the physical inventory, except for the amount of paving cut in laying mains and services. The money difference results from the application of different unit costs for material and labor, labor indirects, material indirects, and from the various methods of handling paving over mains and depreciation. A discussion of each of the many points of difference would make an unreasonably long opinion. Careful consideration has been given to all exhibits filed, the testimony supporting each, and the briefs filed by counsel.

The Company contends that the reproduction cost should include estimated cost of cutting and replacing all pavement now existing over the mains and services irrespective of whether such pavement was or was not actually cut and replaced at the time of the installation of the mains. The City argues that only such pavement as was laid prior to the installation of the pipe and which, therefore, was actually cut and replaced by the Company

should be included. The Commission engineers introduced figures under both theories. It is apparent that under a hypothetical reconstruction program, the cost of cutting and replacing of pavement would be incurred; but the Company does not own and has not paid for the pavement in question. The laying of pavement over a main does not increase its usefulness nor add to its value except when that value is wholly measured by a theoretical reproduction cost. Here we are concerned primarily with the value of this system rather than with a theoretical cost of construction under conditions that would be encountered in the actual reconstruction of the property. The theoretical cost of this pavement is an item that represents neither an actual cost to the Company nor an intrinsic value and there appears no reason for considering it as one of the constituent elements of the value of the property involved.

The Company engineers estimated accrued depreciation by the inspection method. The City Engineer used the straight line method and the Commission's engineers presented estimates on both the straight line and the equal annual cost method.

The determination of accrued depreciation involves, at the best, a large amount of judgment and the solution that is based on the widest consideration of determinable facts and the logical use of those facts clearly appears to be the most reliable. What has been termed the equal annual cost method rests upon a study of pertinent statistics, as well as upon an inspection of the property and the consideration of all available information in the logical way from a standpoint of making a normal use of the property. In this case the equal annual cost method will be used in determining the depreciated reproduction cost new.

The result of the three studies above referred to is shown by the following table:

Estimates of Reproduction Cost new less Depreciation

<u>C.R.C. CLASSIFICATION</u>	<u>C.R.C.*</u>	<u>COMPANY</u>	<u>CITY</u>
C-1 Organization	\$2,000.	\$2,000.	\$2,000.
C-5 Lands	12,850.	12,850.	12,850.
C-6 Buildings	4,535.	5,329.	3,295.
C-10 Wells	4,956.	6,221.	1,982.
C-14 Pumping Equipment	10,966.	12,263.	8,283.
C-18 Distribution Mains	82,123.	85,811.	39,489.
C-19 Reservoirs and Tanks	3,979.	3,698.	1,168.
C-21 Services	13,951.	17,506.	10,629.
C-22 Meters	2,219.	2,359.	2,024.
C-23 Misc. Dist. Equipt.	573.	573.	502.
C-24 General Equipment	2,977.	2,977.	2,977.
Paving Cut Historically	1,971.	1,962.	630.
Paving not cut Historically	28,766.	39,609.	-
Maps and records	-	1,000.	500.
Materials and Supplies	3,000.	3,050.	3,000.
Sub Total	<u>\$174,866.</u>	<u>\$ 197,208.</u>	<u>\$89,329.</u>
Cost of Attaching Business	6,961.**	51,200.	-
TOTAL	\$181,827	\$ 248,408.	\$89,329.

*The Commission's figures are less depreciation computed on the equal annual cost method, the Company's figures reflect depreciation computed on the inspection method and the City's figures are less depreciation computed on the straight line method.

**Commission engineers' estimate of cost of attaching the business based upon reproduction of the property excluding paving laid subsequent to installation of mains.

The Company engineers presented testimony tending to show the cost of attaching business under the reproduction theory and making a going concern out of the bare physical property. The Company claimed that fair value including the cost of attaching the business was not less than \$221,308. There is no doubt but what this property, situated as it is, in and immediately adjacent to the City of Visalia, with a record of several years of good earnings, has a substantial going concern value and this element of value will be considered in the final figure of just compensation.

I recommend, after considering all the evidence, that the just compensation which the City should pay to the Company for the land, property and rights described in the application is the sum of \$161,000.

FINDING

The City of Visalia, a municipal corporation, having filed with the Railroad Commission on April 5, 1927, a petition as above entitled and the Commission having issued its order to show cause thereon and having proceeded in accordance with the provisions of Section 47(b) of the Public Utilities Act to fix and determine the just compensation to be paid by the City of Visalia to California Water Service Company for the taking of the land, property and rights described in the said petition, public hearings having been held, the matter having been submitted and briefs filed thereon, and the Railroad Commission being now fully apprised in the matter;

IT IS HEREBY FOUND AS A FACT that the just compensation to be paid by the City of Visalia to California Water Service Company for the land, property and rights described in the application filed on April 5, 1927, is the sum of \$161,000.

The foregoing opinion and finding are hereby approved and ordered filed as the opinion and finding of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 7th day of March, 1932.

C. J. Seaman
Leon Whiteley
W. J. Carr
Fred G. Stevenson
Commissioners