

ORIGINAL

Decision No. 2284

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of)
 M.S. Pires, Jr. to sell his water system)
 at Centerville, California, to) Application No. 1441
 Centerville Water Company, a corporation,)
 and of said Centerville Water Company)
 to issue stock in exchange therefor.)

Arthur E. Reddington for applicants.

LOVELAND, Commissioner.

O P I N I O N

In this proceeding the Railroad Commission of California is asked to grant permission to M.S. Pires, Jr. to sell and transfer a water system at Centerville, Alameda County, California, to the Centerville Water Company, a corporation recently formed and incorporated under the laws of the State of California for the purpose of taking over this water system.

The reason given by M.S. Pires, Jr. for desiring to dispose of said water system is that he has other property interests and desires to separate the water system from such interests in order to facilitate the handling of his business other than the water system.

The Commission is also requested to permit said Centerville Water Company to issue such an amount of the stock of said Centerville Water Company, as the Commission may deem proper, to M.S. Pires, Jr. in payment for said water system.

The application was received on the 25th day of October, 1914, and was first set down for hearing on December 8th, 1914. A few days previous to that time the Engineering Department

and the Auditing Department of this Commission attempted to make the usual investigation in order to report to the Commission preliminary to the hearing but found that the affairs of applicant, M.S. Pires, Jr., were in such shape as to preclude the possibility of making their report in time for the hearing as scheduled.

The application was called on December 8th, 1914 and owing to these circumstances was continued until the Engineering and Auditing Departments of the Commission could investigate and report. Such investigation and report were made and the application regularly heard on February 19th, 1915. In the meantime the applicants had employed Mr. G. Baldwin, an engineer, to value the water system and Mr. Baldwin appeared as a witness at the hearing and presented his valuation, which gave the present reasonable value of this water system as \$21,565. The valuation presented by the engineers of the Railroad Commission gave the present reasonable value as \$11,973.

I do not recognize the necessity of entering into extended consideration or comparison of these valuations in this opinion upon which an order will be based, but think it sufficient to say that the difference between the valuation of Mr. Baldwin and that of the Commission's engineers is principally found in an addition of 10% to such valuation by Mr. Baldwin for contractors' profit, 4% for omissions, 4% for contingencies instead of 2% as found by the Commission's engineers, 4% for overhead, 6% found by Mr. Baldwin instead of 3% by the engineers of the Commission for interest, 2% brokerage and commission, \$5,000. found by Mr. Baldwin as against \$300. given by the Commission's engineers for the value of real estate, and \$2,172. found by Mr. Baldwin as against \$1,589. found by Commission's engineers for the value of well-pit.

It will be noted that while nearly all of these items are for overhead Mr. Baldwin has given 4% overhead separately, which I do not regard as material, however, as these figures are given for the purpose of showing the difference between the valuation made by Mr. Baldwin and that made by the Commission's engineers.

Other items, such as wells, pumping equipment, meters, service connections, hydrants and mains, present some slight variations in the valuation found by Mr. Baldwin and that given by the Commission's engineers - in some instances Mr. Baldwin's valuation being less and in others more than the valuation given by the engineers of the Commission. These valuations are filed in the record of the application and for further reference as to details reference is hereby made to them.

It may be proper to say, however, that Mr. Baldwin admitted in his testimony that he was not familiar with land values and that the value which he placed upon the real estate was given to him by applicant, Mr. Pires.

The real estate in question consists of a lot on Center Street in the town of Centerville, fifty (50) feet square, more particularly described as follows:

"Commencing at a point on the westerly line of Center Street distant thereon ninety-two (92) feet southerly from its intersection with the southerly line of Main Street, thence southerly along said westerly line of Center Street fifty (50) feet, thence at right angles westerly fifty (50) feet, thence at right angles northerly fifty (50) feet, thence at right angles easterly fifty (50) feet to the point of commencement.

Being portion of Lot Six (6) of the Stevens Tract as shown on the Map of said Stevens Tract, Centerville, Washington Township, Alameda County, California, which Map was recorded December 5, 1881 in Liber 17 of Maps at page 94, Alameda County Records."

Mr. Pires admitted in testimony as to the value of the land that the lot in question was probably worth from \$600.00 to \$800.00 but that he had given the valuation to Mr. Baldwin at \$3,000., and also testified at the hearing to such valuation because of it being proven water-bearing land. On this lot are located three wells from which applicant testified he could furnish two million gallons per day, while the daily consumption of the system was less than one-half a million gallons. When questioned, by the Commissioner who heard the case, as to why he went to the expense of sinking the last well when probably one well, and certainly two, would supply all possible demands upon the system he testified that he had noticed the water becoming low in the wells during the dry season and wanted to be prepared in case the necessity for further supply developed. Applicant should be commended for his thoughtful willingness to put himself in position to discharge the duties to the public which he has undertaken.

As to the matter of placing a value upon the wells, well-pit, pumping equipment, meters, service connections, hydrants and mains of this system, the testimony of applicant gave the Commission but little assistance. He testified that he had never kept any books nor did he have any of the bills for the purchase of the equipment for this system, or bills showing what he had paid for labor, as he had destroyed them. He admitted that some of the equipment was purchased second-hand and, that as to the cost and present value of the whole system, the figures which he gave to Mr. Baldwin, and to which he testified at the hearing, were his best estimate.

Counsel for applicant stipulated at the hearing that the valuation found by the Commission, as a result of the present investigation, should not be used as a basis for rate making as he had

not in this application presented such expert testimony as to the value of the real estate, equipment, etc. as he would desire to present in an application to fix a value on which rates should be based.

After a careful consideration of the testimony submitted at the hearing of this application I am convinced, and find as a fact, that the present fair value of this system may be taken, for the purpose of this proceeding, to be \$12,500. This increases the value given by the Commission's engineers, but I am satisfied that the addition to such value should be made and as a matter of segregation should be considered an addition to the value of the real estate, such value for real estate having its additional value, if any, as proven water-bearing land.

I recommend the following order:

O R D E R

The Railroad Commission of California, having been requested to permit the transfer of the ownership of a certain water system located at Centerville, Alameda County, California, from its present owner, M.S. Pires, Jr., to the Centerville Water Company, and a public hearing having been held on said application, and the Railroad Commission finding that the interests of the patrons of this system will best be served by permitting said transfer,

IT IS HEREBY ORDERED that said M.S. Pires, Jr. be and he is hereby granted permission to sell and transfer that certain water system located at Centerville, Alameda County, California, now owned by him consisting of the wells, well-pit, pipes, meters, service connections, and such other property as is incident to said water system, including certain real estate consisting of a lot on Center Street in the town of Centerville,

fifty (50) feet square, more particularly described as follows:

"Commencing at a point on the westerly line of Center Street distant thereon ninety-two (92) feet southerly from its intersection with the southerly line of Main Street, thence southerly along said westerly line of Center Street fifty (50) feet, thence at right angles westerly fifty (50) feet, thence at right angles northerly fifty (50) feet, thence at right angles easterly fifty (50) feet to the point of commencement.

Being portion of Lot Six (6) of the Stevens Tract as shown on the Map of said Stevens Tract, Centerville, Washington Township, Alameda County, California, which Map was recorded December 5, 1881 in Liber 17 of Maps at page 94, Alameda County Records,"

to the Centerville Water Company in consideration for the payment to him of stock of said Centerville Water Company to the amount of \$12,500.

The Centerville Water Company, having applied to this Commission for permission to issue stock in such amount as the Commission might deem proper in the payment for said water system, the Commission finds that the Centerville Water Company should be permitted to issue the stock of said Company at par to M.S. Pires, Jr. in payment for said water system, in the sum of \$12,500, and

IT IS HEREBY ORDERED that said Centerville Water Company be and it is hereby granted permission to issue the stock of said Centerville Water Company to M.S. Pires, Jr. in the amount of \$12,500 in payment for said water system.

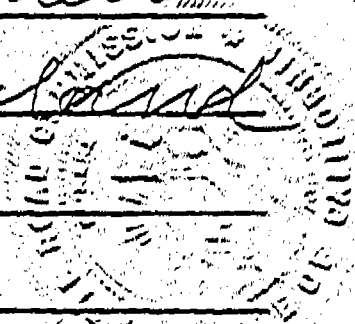
The authority hereby granted shall apply only to stock issued by said Centerville Water Company on or before the first day of July, 1915.

The said Centerville Water Company shall report to the Railroad Commission when such stock is issued and delivered to M.S. Pires, Jr.

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

Dated at San Francisco, California this 9th
day of April, 1915.

Max Thelen
H. J. ...
Frank ...



Commissioners.