

ORIGINAL

Decision No. 2571

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

| | |
|------------------------------------|-----------------------|
| In the Matter of the Application) | |
| of CITY OF SANTA MONICA for an) | |
| order of the Railroad Commission) | Application No. 1563. |
| fixing and determining the just) | |
| compensation to be paid to) | |
| SANTA MONICA WATER COMPANY for) | |
| its land, property and rights.) | |

Victor R. McLucas and John Mellen for
 City of Santa Monica.
 Goudge, Williams, Chandler and Hughes
 by E. J. Goudge, for Santa Monica Water Company.

THELEN, Commissioner.

O P I N I O N.

This is a proceeding to fix and determine the just compensation to be paid by City of Santa Monica for land, property and rights of Santa Monica Water Company, hereinafter referred to as the Water Company, a public utility, engaged in the business of selling water for domestic and municipal purposes in the City of Santa Monica, Los Angeles County. This proceeding is brought under the provisions of Section 47 of the Public Utilities Act.

The petition of the City of Santa Monica herein alleges, in effect, that the City is a municipal corporation, duly organized and existing; that the City has a population of approximately 12,000; that the inhabitants derive their water for domestic use from various wells and springs in and around the City; that the water furnished to the City and the inhabitants thereof is supplied by various private water companies; that during the last five years the City has experienced a rapid growth; that by reason of this growth it has been and is difficult for the owners of these various water distributing systems to make such extensions, additions and replacements as were and will be necessary to give adequate and efficient domestic water service; that the City Council deems that

the public interest and convenience of the City of Santa Monica demand the acquisition and construction of a municipal water system for the purpose of furnishing to the people of Santa Monica water for domestic use; that the City of Santa Monica intends to acquire each of said water systems by eminent domain; that the necessary ordinance preliminary to the filing of this proceeding has been duly passed and that the City Attorney was directed therein to prepare the necessary proceedings requesting the Railroad Commission to fix a valuation on the property of the different water companies now distributing water to the people of Santa Monica for the purpose of purchasing and acquiring all of said water distributing systems for and on behalf of the City; and that as full and complete a description of the properties of the Water Company used in the distribution of water in the City as petitioner has been able to secure is attached to the petition and marked "Exhibit D." The petitioner prays that the Railroad Commission arrive at and fix a valuation of "all the properties of said Water Company, used in furnishing water to the City of Santa Monica, for domestic uses."

Attached to the petition and marked "Exhibit A" is a copy of Special Ordinance No. 586, declaring that the public interest and necessity of the people of the City of Santa Monica demand the acquisition of a municipal water system and directing the City Attorney to institute and prosecute before the Railroad Commission such proceedings as are necessary to cause this Commission to fix and determine the just compensation to be paid by the City for the properties of each of the water companies supplying water in Santa Monica, including Santa Monica Water Company.

A demurrer to the Railroad Commission's jurisdiction herein interposed by the Water Company, was overruled.

Public hearings in this proceeding were held in Santa Monica on April 28, 29 and 30, and May 18 and 19, 1915. Briefs

have been filed and this proceeding is now ready for decision.

Mr. F. E. Lee, the Water Company's auditor, testified that the property has a value of \$577,005.00. The Water Company, in its briefs, claims a final value of \$545,547.23. The City, in its brief, claims a value of from \$237,299.32 to \$276,761.32.

The petition, as already stated, alleges that it is the intention of the City of Santa Monica to acquire the water distributing system of Santa Monica Water Company and asks the Railroad Commission to fix and determine the just compensation to be paid for "all the properties of said Water Company, used in furnishing water to the City of Santa Monica for domestic uses." The City having discovered, after conferences with representatives of the Water Company, that certain of the property listed in said Exhibit "D" is not used and useful in furnishing water to the City of Santa Monica for domestic purposes and that certain other property owned by the Water Company is used and useful for such purpose, permission was granted to the City at the hearing to file an amended inventory to conform with the allegations of the petition with reference to the property which the City intends to acquire. At the hearing, counsel for the Water Company and for the City stipulated that the Railroad Commission should, in this proceeding, fix and determine the just compensation to be paid by the City for the property acquired by the Water Company up to April 1, 1915.

The water at present distributed by the Water Company in Santa Monica is pumped from four wells which are located at the Arcadia Pumping Plant grounds, in Sawtelle. These are 14 inch wells. Two have a depth of 260 feet and the other two a depth of 280 feet. Formerly, the Water Company also pumped water from a pumping plant on Tenth Street, in Sawtelle, but this plant is no longer used. The testimony also refers to a well 338 feet deep, in Block 62, Artesian Tract, Sawtelle, also known as the Springs Grounds, but no water has been used by the Water Company from these grounds during the last 3 or 4 years. A small stream of

artesian water still flows on this property but it is not used in the Water Company's system. The 4 wells on the Arcadia Pumping Plant grounds now being pumped by the Water Company were drilled in December, 1910, less than 5 years ago.

The Water Company uses two reservoirs, the one known as the Twenty-sixth Street Reservoir, having a capacity of 1,905,000 gallons, and the other, known as the Olivette Reservoir, ~~xxxx~~ having a capacity of 1,000,000 gallons. The Water Company also uses three small receiving basins. In general, the Water Company's distributing system lies in that part of Santa Monica which is north of Colorado Avenue.

The Water Company reports that in 1913, it sold 34,550,810 cubic feet of water, or 54.74 miner's inches continuous flow, and that in 1914, it sold 36,416,200 cubic feet of water, or 57.75 miner's inches continuous flow. The sources of water supplied by the Water Company in 1914 are reported to have been as follows:

Table No. I.

Sources of Water - 1914.

| | <u>Cubic Feet</u> | <u>Miner's Inches</u> |
|--------------------------|-------------------|-----------------------|
| Arcadia Pumping Plant | 27,345,700 | 43.35 |
| Sycamore " " | 9,339,300 | 14.85 |
| Gravity | <u>4,112,300</u> | <u>6.50</u> |
| Total supplied to system | 40,797,300 | 64.68 |
| Total sales | <u>36,416,200</u> | <u>57.75</u> |
| Water lost | 4,381,100 | 6.95 |

The Sycamore Pumping Plant and the source of gravity supply belong to other parties and are not included in this proceeding. Mr. W. S. Dole, the Water Company's chief engineer, testified that the wells now being pumped at Arcadia Pumping Plant have a capacity of 92 miner's inches.

The Water Company's annual report for the year ending December 31, 1914, shows that it has outstanding first mortgage 5 per cent gold bonds of a total face value of \$250,000.00, issued on July 1, 1907, and maturing on July 1, 1937. The Water Company reports as of December 31, 1914, outstanding notes payable amounting to \$129,521.62. The testimony shows that Santa Monica Water Company acquired its water system from Santa Monica Land and Water Company in April, 1905, and paid therefor its capital stock of the par value of \$500,000.00 and its bonds of the face value of \$250,000.00, which bonds, however, were not issued until July 1, 1907. In Water Company's Exhibit No. 6, the Water Company assumes that the value of its physical structures and improvements on June 1, 1905, not including real estate, was \$156,586.00. There is considerable evidence in the record as to the value of the real estate at the present time. It is safe to assume, from the record, that the value of the entire water system on June 1, 1905, did not exceed the face value of the outstanding bonds, amounting to \$250,000.00.

The lands included in the amended inventory and the areas thereof are as follows:

Table No. II.

Lands and Areas.

| <u>Lands</u> | <u>Areas</u> |
|---|----------------|
| Block 33, Artesian Tract, Sawtelle) Artesian | 6.847 acres |
| Block 36, Artesian Tract, Sawtelle) Pumping Plant | 4.652 " |
| Block 62, Artesian Tract, Sawtelle (Springs Grounds) | 23.196 " |
| Lot 15, Block 2, Orchard Tract, Santa Monica, (26th Street Reservoir) | 5.08 " |
| Lot in Ethelwyn Manor Heights, Tract 2385, (Olivette Reservoir Site) | 175 x 175 feet |
| Lot 23, Block 56, Artesian Tract, Sawtelle, | .161 acres |
| Lot 25, " " " " " | .161 " |
| Lot 18, " " " " " | .161 " |
| Lot 20, " " " " " | .161 " |
| Lot 21, Block 60, " " " | .161 " |
| Lot 22, Block 60, " " " | .161 " |

The market value of these lands, as testified to by the Water Company's witnesses, without considering water developed on any of these parcels, is as follows:

Table No. III.

Lands - Water Company's Witnesses.

| <u>Lands</u> | <u>Marsh</u> | <u>Loomis</u> | <u>Hill</u> | <u>Proctor</u> | <u>Van Winkle</u> |
|--|--------------|---------------|-------------|----------------|-------------------|
| Olivette Reservoir Site | \$10,000 | \$10,000 | ----- | \$10,000 | \$12,000 |
| Blocks 35 and 36 | ----- | * 2,000 | ----- | * 2,000 | * 2,500 |
| Artesian Tract | ----- | * 2,500 | * 3,000 | * 2,500 | * 2,500 |
| Block 62, Artesian Tract | ----- | * 3,000 | ----- | * 2,500 | * 2,500 |
| Lot 15, Blk. 2, Orchard " | ----- | 500 ea. | --- | ----- | ----- |
| Lots 23 and 25, Blk. 56, Artesian Tract, | ----- | 500 ea. | --- | ----- | ----- |
| Lots 18 and 20, Blk. 56, Artesian Tract | ----- | 500 ea. | --- | ----- | ----- |
| Lots 21 and 22, Blk. 60, Artesian Tract | ----- | 500 ea. | --- | ----- | ----- |

* Per acre

Fred E. Stockwell, City Assessor of Santa Monica, testified that he adopts a general practice of assessing real property at 60 per cent of its market value, and that in the year 1914, he assessed the parcel 175 x 175 feet referred to as Olivette Reservoir Site, at \$6250.00.

Several of the Water Company's witnesses testified that the existence of developed water on land adds considerably to its value. Several of these witnesses testified that they did not know the extent to which value would be added. One testified that, in his opinion, the value of Block 62, Artesian Tract, was doubled and another testified that, in his opinion, the value of Blocks 55 and 56, Artesian Tract, was doubled, but that the value of Block 62, Artesian Tract, was increased only 50 per cent.

Testimony was also presented by the Water Company showing that there is a need for the use of water in this vicinity for irrigation and that lands with water bring a higher rental than lands without water. This testimony was presented chiefly by witnesses who are engaged in market gardening.

Witnesses in behalf of the City of Santa Monica testified to the market value of lands involved in this proceeding, without considering the value of developed water, as follows:

Table No. IV.

Lands- City's Witnesses.

| <u>Lands</u> | | <u>Miles</u> | <u>Ross</u> | <u>Steele</u> | <u>Dudley</u> | <u>Boekman</u> |
|---|---|--------------------|-------------------------------|---------------|---------------|----------------------|
| Olivette Reservoir | * | \$2400.to 2500. | ----- | ----- | ----- | ----- |
| Blocks 55 and 56, Artesian Tract, | * | 1200.to 1500. | * 1600. * 1500. | | | * \$1500.to 2000. |
| Block 62 Artesian Tract | * | 1300. | * 1500. | | | ----- |
| Lot 13, Blk. 2, Orchard " | * | 1500. | | * \$2000. | * \$1500. | * 2000 |
| Lots 23 and 25 Blk. 56, Artesian Tract, | | | 500.ea. | | | |
| Lots 18 and 20, Blk. 56, Artesian Tract, | | | 500 ea. | | | |
| Lots 21 and 22, Blk. 60, Artesian Tract | | | 500 ea. | | | |
| * per Acre | | | | | | |

Fred E. Stockwell, City Assessor of Santa Monica, testified in behalf of the City that he assessed real property at 60 per cent of its market value and that he had assessed Lot 15, Block 2, Orchard Tract, known as the Twenty-sixth Street Reservoir Site, in 1914. While the transcript says that the assessment was \$2500.00 for this tract, the City's Exhibit No. 2, purporting to contain a copy of the 1914 assessment, shows \$4500.00, and I am inclined to think that the figure stated in the transcript must be incorrect.

Henry D. Lasher, City Assessor of Sawtelle, testified that he assessed real property at 60 per cent of its market value, and that in 1914, he assessed real property of the Water Company located in Sawtelle, as follows:

Table No. V.

Lasher's Assessment-1914.

| | | |
|---|-------------|-------------|
| Block 55, Artesian Tract, | 6.847 acres | \$6300.00 |
| Block 36, " " | 4.652 " | 3600.00 |
| Block 62, " " | 25.169 " | 20790.00 |
| Lots 18 and 20, Blk. 56, Artesian Tract, | | 220.00 each |
| Lots 23 and 25, Blk. 56, Artesian Tract, | | 220.00 " |
| Lots 21 and 22, Blk. 60, Artesian Tract, | | 200.00 " |

James Armstrong, one of the Railroad Commission's assistant hydraulic engineers, presented the only complete inventory and appraisement which was offered herein. His revised estimate of the reproduction cost and of the depreciated reproduction cost of the Water Company's physical structures and improvements herein under consideration, as shown by Railroad Commission's Exhibit No. 2, is as follows:

Reproduction Cost..... \$342,725.00
 Reproduction cost less depreciation..... 283,972.00

Mr. Armstrong listed and appraised the property as it existed on January 1, 1915. Water Company's Exhibit No.10 shows the following summary of capital expenditures incurred by the Water Company from January 1, 1915, to April 1, 1915:

Table No. VI.

Capital Expenditures- January 1 to April 1, 1915.

| | |
|--------------------------------------|---------------|
| Concrete well | \$1536.23 |
| Distributing mains | 177.04 |
| Services | 261.75 |
| Fire hydrants | 90.05 |
| Meters | 566.57 |
| Miscellaneous distribution equipment | 3.20 |
| General shop equipment | 34.83 |
| Misc. Construction equipment | <u>163.11</u> |
| | \$2832.78 |

The Water Company presented no complete inventory or appraisal but contented itself by pointing out its agreement with or objections to the conclusions of Mr. Armstrong and by presenting evidence in support of its views with reference to those items to which it challenged Mr. Armstrong's conclusions. The Water Company accepted Mr. Armstrong's unit costs, except as hereinafter indicated, and his overhead percentages throughout, but urged the adoption of the sinking fund method of depreciation instead of the straight line method used by Mr. Armstrong.

With reference to paving, Mr. Armstrong included in his appraisal only the paving which was cut through by the Water Company in laying its mains and services. The amount thus allowed is

\$2954.00 for paving inside Santa Monica and \$691.00 for paving outside of Santa Monica. The Water Company expressly accepted this allowance for paving and stated that it would make no claim for additional allowance by reason of paving laid subsequent to the laying of mains and services.

The principal point of difference between Mr. Armstrong's inventory and appraisal and the Water Company's views are as follows:

1. Unit cost of Arcadia and 10th Street wells.
2. Unit cost of 100 H.P. motors at Arcadia Pumping Plant.
3. Depth of 10th Street well.
4. Unit costs of certain pipe, as follows: 2 inch and 4 inch S.S. black pipe; 4 inch, 6 inch, 8 inch, 10 inch and 12 inch casing C. D. pipe; and 4 inch cast iron pipe.
5. Unit costs of $1\frac{1}{2}$ inch, 2 inch and 3 inch meters.
6. Unit costs of $\frac{3}{4}$ inch and 1 inch services.
7. Probable useful life of a portion of the pipe.
8. Probable useful life of meters.
9. Omission of 1450 feet of 4 inch I.D. casing.
10. Omission of cost of 8 foot concrete well, except equipment.

II. Use of straight line depreciation.

In Railroad Commission's Exhibit No. 2, Mr. Armstrong accepted the Water Company's estimate of useful life of all the pipe, made an addition for the 1450 feet of 4 inch I. D. casing theretofore omitted, accepted the depth of the 10th Street well as claimed by the Water Company and corrected the unit costs of the $1\frac{1}{2}$ inch, 2 inch and 3 inch meters and the 100 H.P. motors.

Mr. W. S. Dole, the Water Company's chief engineer, presented exhibits showing costs of pipe, meters and services over varying periods of time. The Water Company also presented evidence with reference to the useful life of meters.

Mr. Armstrong, in his exhibits, made an allowance for

the equipment to be used in connection with ^acertain excavation on the Arcadia Pumping Plant property, which excavation was referred by the City throughout these proceedings as "one circular excavation, 145 feet deep and 8 feet in diameter, walled with reinforced concrete, located on Block 33, Artesian Tract," and by the Water Company as a concrete well. The appropriate allowance for overhead percentage must be ~~made~~ added to Mr. Armstrong's estimate for equipment. Mr. Armstrong made no allowance for the excavation itself, stating that the well is not producing water and is shut down, that its value as a water producer is doubtful and that accordingly no allowance was made for the well. The testimony shows that work on this well was started in October, 1912, but that it has not as yet been completed. Mr. Dole testified that the cost, including equipment and overhead, to November 1, 1914, was \$57,116.00. There is a sharp conflict in the testimony as to whether this excavation will ever be useful and as to whether, if it should be completed, it will drain water away from the four wells now being pumped on this tract. The Water Company subsequent to April 1, 1915, drilled and completed a 14 inch well within 30 feet of this excavation. This well is reported to be a good well. Why the Water Company incurred expenditure in drilling this new well instead of completing the excavation, is not clear. I am inclined to the view that this excavation will ultimately develop water but the question of the value to be assigned thereto is extremely problematical. An allowance will herein be made for this excavation, but it will be discounted by reason of the ~~fact~~ uncertainty of ultimate success.

The Water Company presented as Exhibit No. 13 a tabulation headed "Railroad Commission Engineer's Appraisal of ^{the} Physical Properties of the Santa Monica Water Company," which tabulation witnesses for the Water Company testified was Mr. Armstrong's inventory and estimated reproduction cost, with the Water Company's

own estimate of reproduction cost less depreciation on the sinking

fund basis. This exhibit shows estimated reproduction cost and depreciated reproduction cost as follows:

| | |
|-------------------------------|--------------|
| Reproduction cost | \$564,873.00 |
| Depreciated reproduction cost | 331,082.00 |

Mr. Dole testified that the depreciation of the property, as shown in this exhibit, corresponds very closely with depreciation shown by physical examination of the property. It later developed that Water Company's Exhibit No. 15 does not represent Mr. Armstrong's inventory and appraisal, for the reason that it does not contain the Twenty-sixth Street Reservoir, the paving allowance or the equipment of the 8 foot concrete excavation, all of which items are included in Mr. Armstrong's report, and that it does contain certain items which Mr. Armstrong excluded from his report, particularly an excess allowance of \$500.00 on the estimated depreciated reproduction value of the Tenth Street Pumping Plant and an allowance of \$37,116.00 for the 8 foot concrete excavation. In other words, the exhibit contains a number of items which Mr. Armstrong excluded and omits a number of items which he included.

The Water Company presented as Exhibit No. 6, a statement of alleged accrued losses, totalling, as reported by the Water Company, from June 1, 1905, to December 31, 1914, the sum of \$95,227.00. The Water Company worked backward from the assumed value of the physical structures and improvements on December 31, 1914, to secure the assumed value on June 1, 1905. Starting then with the assumed value on June 1, 1905, the Water Company added each year the additional capital expenditures and then subtracted depreciation to secure the sum on which to start for the next year. Interest is estimated at 8 per cent per annum, and the excess of estimated interest, depreciation and operating expenses over earnings each year is shown. This deficit for the entire period

is shown to be \$73,401.00. The Water Company then compounds interest at the rate of 8 per cent per annum on the deficit, concluding that the total accrued losses on the assumptions indicated, amount to \$95,227.00.

While a reasonable development cost must be allowed, in cases in which the evidence shows that such allowance is proper, there is, of course, a limit to the extent to which development cost, including early losses, with interest thereon, may properly be considered as adding to the value of the property. Otherwise, an enterprise poorly conceived might claim an enormous value by reason of annually recurring deficits. The larger the deficits, the larger would be the value claimed.

The problem in this proceeding is not that of simply reimbursing the Water Company for its expenditures, with interest thereon. If this were the problem, the Railroad Commission would carefully ascertain what the Water Company actually paid for its lands, with or without water rights, and would disregard the entire property which has been donated to the Water Company. The problem here, however, is to ascertain the just compensation to be paid to the Water Company for the property which is to be taken from it and it is, of course, obvious, that this compensation cannot be increased indefinitely by the addition of deficits. In cases of this kind, courts and commissions have rarely made allowances for development periods in excess of five years. If deficits continue to recur after the first five years, they seldom add to the value of the property.

The property of the Water Company to be taken by the City must be valued as a going concern. In this connection, it becomes pertinent to inquire into the Water Company's financial operations. The annual report for the year ending December 31, 1913, shows an operating revenue of \$52,085.65 and operating expenses amounting to \$41,715.01, thus leaving \$10,368.64 available for interest on the

investment and depreciation. The Water Company made no allowance for depreciation. The annual report shows interest accrued on funded debt amounting to \$12,500.00, and other interest deductions amounting to \$4276.11. Certain items for rent deductions are also reported, the conclusion being that a deficit of \$8381.89 was incurred during the year.

The annual report for the year ending December 31, 1914, shows an operating revenue of \$50,747.23, and operating expenses of \$34,217.17. No amount was set aside for depreciation. The Water Company reports interest on funded debt amounting to \$12,500.00, other interest deductions amounting to \$6343.59, and a deficit for the year of \$5204.02. In its Exhibit No. 6, the Water Company estimates that \$7625.00 should have been set aside in the year 1914 for depreciation. Subtracting this amount from the sum of \$16,530.06, reported to be the excess of operating revenue over operating expenses, leaves only \$8905.06 available for the payment of interest on the investment. If depreciation is not subtracted on the theory that in an enterprise of this kind it may be deferred, there will be available for the payment of interest on the investment the sum of \$16,530.06. This sum would yield a return on an investment of approximately \$277,500.00, if interest is taken at 6 per cent per annum, \$236,100.00, if interest is taken at 7 per cent per annum and \$206,650.00, if interest is taken at 8 per cent per annum.

The Water Company insists that regard should not be had to its actual financial operations on the ground that the rates which it has been charging are too low. In another proceeding, now pending before the Railroad Commission, the Water Company asks that its rates be increased. Attention, however, should be drawn to the fact that the existing rates have been continuously charged by the Water Company as far back, at least, as the fiscal year 1908-1909. Rates equivalent to those now charged were established

by the City Council of Santa Monica by General Ordinance No. 48, adopted February 27, 1908, establishing water rates for the fiscal year 1908-1909, and by General Ordinance No. 79, adopted by the City Council on February 23, 1909, establishing the same rates for the fiscal year beginning July 1, 1909, as were established by General Ordinance No. 48 for the fiscal year beginning July 1, 1908. Under the provisions of Section 1 of Article XIV of the Constitution of this State, the effect of each of these ordinances was spent at the end of the year for which the rates were therein established. The record in this case shows no attempt on the part of the Water Company to enjoin the enforcement of the rates established by the City Council for the fiscal years 1908-9 and 1909-10, and no attempt subsequent to June 30, 1910, to increase the rates until the Water Company's rates were attacked during this year in Case No. 701, McCarthy vs. Santa Monica Water Company. In other words, the present rates have been in effect, first through ordinance of the City Council of Santa Monica and thereafter through the voluntary act of the Water Company, for at least seven years.

It is by no means certain that the Water Company could make such a showing before the Railroad Commission as would justify an increase in rates. It may well be that the Railroad Commission, if it should establish rates for the Water Company, would find that for any one of a number of reasons, well established in the law of public utility regulation, the Water Company is not entitled to an increase over the rates which have been charged during the last seven years. Or, if an increase is allowed, it may not be such as to justify anywhere nearly the value which is being claimed by the Water Company in this proceeding.

There is necessarily a close relationship between the value of the property of a public utility and the rates which it can be allowed to charge. It by no means follows that a public

utility property is always worth either the cost to rebuild it or its depreciated reproduction value, either on the straight line basis or on the sinking fund basis, as estimated by engineers. To illustrate, it is possible to imagine a public utility owning a water system which it would cost \$100,000 to reproduce, but which has been able, through bad management or mismanagement to secure only half a dozen customers, paying for domestic water only. It is fundamental that these few customers could not be compelled to pay a rate high enough to yield a return on the investment, for the reason that, entirely apart from other principles of public utility regulation, a utility cannot charge more than the consumer can reasonably be called upon to pay. San Diego Land and Town Company vs. Jasper, 189 U. S. 439; Southern Pacific Company vs. Bartine, 170 Fed. 725. Under such circumstances, a person possessed of ordinary business sense would not pay for the property the cost of reproducing it. The property might have a possibility of future development, but the necessity of waiting a number of years before the desired increase in revenue occurred, would necessarily result in discounting the value at present.

The evidence in this proceeding shows that Mr. Armstrong included in his inventory and in his estimates of reproduction cost new and of depreciated reproduction cost, several hundred thousand feet of pipe line which were laid by real estate subdividers in this vicinity and thereafter donated to the Water Company. These systems lie in sparsely settled territory and produce but little revenue.

The following table, which was introduced as Water Company's Exhibit No. 8, shows the detail of these donated pipe lines:

Table No. VII.

Detail of Pipe Lines Donated to Santa Monica Water Company.

| TRACT. | LENGTH. | KIND. | AMOUNT. | DEPRECIATION. | DEPRECIATED RE- PRODUCTION VALUE. |
|-------------------|---------|----------|---------|---------------|--------------------------------------|
| Brentwood Place | 4312 | 2" STD. | \$948. | 1/20 | \$901. |
| | 11025 | 4" O.D. | 4189. | 1/20 | 3980. |
| | | | | | \$4881. |
| Pal. # 3 | 10058 | 3½" S.S. | 4023. | 13/40 | 2715. |
| | | | | | 2715. |
| S.M. Canyon | 7093 | 2" STD. | 1560. | 2/40 | 1482. |
| | 12801 | 3" " | 4224. | 2/40 | 4012. |
| | 3089 | 3½" " | 1239. | 2/40 | 1177. |
| | | | | | 6671. |
| Pal. # 4 | 11455 | 4" " | 5727. | 1/40 | 5584. |
| | | | | | 5584. |
| Gillette Reg. Sq. | 18420 | 4" " | 9210. | 2/40 | 8654. |
| | | | | | 8654. |
| Ethelwyn Manor | 2500 | 4" O.D. | 950. | 4/40 | 855. |
| | | | | | 855. |
| Ranch System | 704 | 1" Galv. | 91. | 6/30 | 73. |
| | 38374 | 2" STD. | 8442. | 10/35 | 6030. |
| | 2709 | 3" O.D. | 813. | 14/30 | 434. |
| | 2314 | 3½" " | 754. | 13/30 | 433. |
| | 35596 | 4" " | 13526. | 11/40 | 9806. |
| | 15569 | 6" " | 7734. | 10/40 | 5801. |
| | 5200 | 6" Riv. | 2236. | 12/25 | 1163. |
| | 915 | 7" O.D. | 659. | 14/40 | 428. |
| 9105 | 8" " | 8194. | 9/40 | 6350. | |
| | | | | | <u>30518.</u> |
| | | | | | \$ 59878. |

The following table, which was introduced as Water Company's Exhibit No. 11, shows the consumers, consumption and gross income on these donated pipe lines for the year 1914:

Table No. VIII.

Consumers, Consumption and Gross Income on Donated Pipe Lines-1914.

| <u>CONSUMERS</u> | | <u>CUBIC FEET CONSUMER</u> | <u>GROSS INCOME.</u> |
|--|-----|--------------------------------|--------------------------|
| <u>B R E N T W O O D P L A C E</u> | | | |
| Regular | 16 | 332,800 | \$ 477.90 |
| Contractors | 1 | 21,100 | 3.60 |
| <u>G I L L E T T E R E G E N T S Q U A R E</u> | | | |
| Regular | 2 | 139,500 | 157.75 |
| Contractors | 5 | 54,400 | 59.95 |
| <u>P A L I S A D E S # 3.</u> | | | |
| Regular | 16 | 323,700 | 456.60 |
| Contractors | 2 | 111,500 | 128.10 |
| <u>P A L I S A D E S # 4.</u> | | | |
| Regular | 1 | 8,000 | 13.75 |
| Contractors | 5 | 99,200 | 112.55 |
| <u>E T H E L W Y N M A N O R</u> | | | |
| Regular | 4 | 10,800 | 36.65 |
| <u>S A N T A M O N I C A C A N Y O N</u> | | | |
| Regular | 22 | 845,400 | 1,053.10 |
| <u>R A N C H S Y S T E M</u> | | | |
| Regular | 236 | 3,046,500 | <u>4,759.05</u> |
| | | Total | <u>\$ 7,259.00</u> |

last A study of the ^{land} two tables shows that the depreciated reproduction value of these pipe lines alone, as reported by the Water Company, without considering any other portion of the investment necessary to serve these consumers, varies from about \$125.00 per regular consumer under the Ranch System, to \$1357.50 for Palisade Tract No. 3 and \$5584.00 per regular customer under Palisade Tract No. 4. A careful study of the evidence herein seems to indicate that the operating expenses alone in connection with these portions of the Water Company's distributing system are considerably in excess of the revenue derived, to say nothing of an allowance for depreciation and interest on the investment.

There is, of course, no question but what this property belongs to the Water Company and that it is entitled to have the same valued in this proceeding.

Good business judgment requires that the facts hereinbefore set forth shall be considered in estimating the value of the property of the Water Company. A public authority, whether a court or a commission, charged with the responsible duty of determining the fair value of the property to be taken from the Water Company must likewise give consideration to these facts to the extent to which they are entitled to receive consideration. It must also be borne in mind, however, that the possibility of development in the future may result in a value for public utility property, as is the case herein, in excess of the value which could be allowed by competent public authority for rate fixing purposes.

For the purpose of the discussion herein, reference has been made to only a portion of the evidence presented in this proceeding. It should be distinctly understood, however, that all the evidence has been carefully considered and the weight given to each portion thereof to which it seemed fairly and reasonably entitled.

I recommend the following findings:

F I N D I N G S.

CITY OF SANTA MONICA, an incorporated city, having filed with the Railroad Commission a petition setting forth the intention of the City to acquire under eminent domain proceedings, or otherwise, land, property and rights of SANTA MONICA WATER COMPANY, a public utility, and asking the Railroad Commission to fix and determine the just compensation to be paid to Santa Monica Water Company for said land, property and rights, and public hearings having been held, and the Commissioner who heard the evidence having made a personal inspection of the land, wells, pumping plants, reservoirs and a portion of the distributing system of Santa Monica Water Company, and being fully apprised in the premises,

THE RAILROAD COMMISSION HEREBY FINDS AS A FACT that the just compensation to be paid by City of Santa Monica to Santa Monica Water Company for said company's land, property and rights, as described in Exhibit No. 1, which is attached hereto and made a part hereof, is the sum of four hundred and two thousand five hundred dollars (\$402,500.00).

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

Dated at San Francisco, California, this 30th day of June, 1915.

Max Shuler
H. J. Howard
Wm. Gordon
Edwin O. Edgerton
Frank P. DeLoe
Commissioners.

EXHIBIT NO. 1.

Land, property and rights of Santa Monica Water Company as follows:

LAND

1. A parcel of land 175 x 175, Ethelwyn Manor Heights, Tract 2385, being designated on the official map of said tract as "not a portion of this subdivision", Santa Monica, California;
2. Blocks 33, 36 and 62, Artesian Tract, Sawtelle, California;
3. Lot 13, Block 2, Orchard Tract, Santa Monica, California;
4. Lots 18, 20, 23 and 25 in Block 56, Artesian Tract, Sawtelle, California;
5. Lots 21 and 22 in Block 60, Artesian Tract, Sawtelle, California; -

together with all water and water rights owned by Santa Monica Water Company contained in, developed on or appurtenant to each and every the foregoing described parcels of land.

PHYSICAL STRUCTURES AND IMPROVEMENTS.

| <u>BUILDINGS:</u> | <u>Quantity.</u> |
|--|------------------|
| 1. Main pump bldg., 61' x 24' -6" | 1 |
| 2. Store House -- 66' x 27' | 1 |
| 3. Store House -- 25' x 10' | 1 |
| 4. Stable -- 15' x 33' | 1 |
| 5. Toilet Septic Tank, Toilet 9'-3" x 11') Tank 19' x 4') | 1 |
| Open part Tank 20' x 5'-Tank concrete) | 1 |
| 6. Machine Shop -- 24' x 40' | 1 |
| 7. Engineer's Dwelling --30' x 20' | 1 |
| 8. Cabin -- 10' x 26' | 1 |
| 9. Shed -- 10' x 10' | 1 |
| 10. Fence -- 1380' | 1 |

| <u>WELLS:</u> | |
|--------------------------------|--------------|
| No. 1 - 14" Diam. double cased | 280' Lin.ft. |
| No. 2 - 14" " " " | 260' " |
| No. 3 - 14" " " " | 260' " |
| No. 4 - 14" " " " | 280' " |

| <u>RECEIVING BASINS:</u> | |
|---|---|
| 1 - Concrete Rec. Basin -- 30' x 20'x10' deep | 1 |
| 1 - Reinforced Conr.Rec.Basin-- 44'x19'x10' | 1 |
| 1 - Concrete " " -- 11'x8'6"x6' | 1 |

| <u>MOTORS AND COMPENSATORS:</u> | |
|--|---|
| 1 - C.W. 100 H.P. 2-speed 1470 x 730 R.P.M. 2200 V | 1 |
| 1 - C.W. 100 H.P. 2-speed " " " " | 1 |
| 1 - G.E. 20 H.P. 200 V | 1 |
| 1 - West. 50 H.P. 725 R.P.M. 220 V | 1 |
| 1 - West. 50 H.P. 725 R.P.M. 220 V | 1 |
| together with all accessories. | |

| <u>RECORDING WATT METER:</u> | |
|------------------------------|---|
| 1 - G.E. Type E. 4 K.W. 100 | 1 |

| <u>SWITCH BOARDS:</u> | |
|----------------------------------|---|
| 1 - For Motors 137901 and 162450 | 1 |
| 2 - 5 point, marble back | 2 |
| 1 - Switch Board frame | 1 |

PUMPS:

QUANTITY

- 1 - Jackson-CHURCH 5-stage Horiz. Centrifugal, with accessories 1
- 1 - Jackson-Church 5-stage Horiz. Centrifugal, with accessories 1
- 1 - Ingersoll-Rand. Air Comp. 12 $\frac{1}{2}$ " x 12", with accessories 1
- 1 - Ingersoll-Rand. Air Comp. 12 $\frac{1}{4}$ " x 12", with accessories 1
- 1 - Jackson Centrifugal 6" Suction, with accessories 1

RESERVOIRS:

- 1 - 130' Diam. 10' deep 1,000,000 Gal. Reinforced Concrete Reservoir, known as Olivette Reservoir } 1
- 1 - 26th St. Reservoir 1

WEIR BOX:

- 1 - Concrete 1

RESERVE EQUIPMENT:

- 1 - G.E. 20-H.P. Motor and Compensator
- 1 - G.E. 35-H.P. Motor No. 593524
- 1 - G.E. 75-H.P. Motor No. 593492
- 1 - Jackson-Church 5-stage Vertical Centr. Pump
- 1 - " " 6-stage Bored Well --Turbine Pump
- 1 - Worthington Sinking Pump
- 1 - Deane Sinking Pump
- 1 - Fairbanks-Morse Hoisting Engine
- 200' - $\frac{1}{2}$ " Steel Cable
- 2--500 lb. Steel Buckets
- 350' - $\frac{5}{8}$ Steel Cable
- 1 - G.E. 5-H.P. Motor No. 532324 Direct connected with Centrifugal Pump

DISTRIBUTION SYSTEM:

| | | |
|--------------------------------|--------|---------|
| 1" S.S. Dipped | 1198 | Lin.Ft. |
| 3/4" - Galvanized | 225 | " |
| 1" - " | 2212 | " |
| 2" - Black Dipped | 100100 | " |
| 2-1/2- " | 433 | " |
| 3" Standard Screw dipped | 17431 | " |
| 3"-O.D. Casing - dipped | 5172 | " |
| 3-1/2" - O.D. Casing - dipped | 2314 | " |
| 3-1/2" - Standard Screw Dipped | 13156 | " |
| 4" - Standard Screw Dipped | 48842 | " |
| 4" - O.D. Casing - dipped | 107854 | " |
| 4" - Steel Riveted - dipped | 7073 | " |
| 4" - Cast Iron - dipped | 11724 | " |
| 4" - I.D. Casing - dipped | 2560 | " |
| 5" - O.D. Casing - dipped | 1317 | " |
| 6" - O.D. Casing - dipped | 13125 | " |
| 6" - Standard Screw Dipped | 5147 | " |
| 6" - Steel Riveted - dipped | 1601 | " |
| 6" - Cast Iron - dipped | 3355 | " |

DISTRIBUTION SYSTEM: (Cont.)

| | <u>Quantity</u> |
|-------------------------------|-----------------|
| 7" - O.D. Casing - dipped | 915 Lin.Ft. |
| 7" - Standard Screw - dipped | 830 " |
| 8" - O.D. Casing - dipped | 41314 " |
| 8" - Standard Screw - dipped | 4078 " |
| 10" - Standard Screw - dipped | 796 " |
| 12" - Standard Screw dipped | 48 " |
| 12" - Steel Riveted - dipped | 5644 " |
| 16" - Cast Iron - dipped | 5040 " |
| 16" - Steel Riveted - dipped | <u>4265 "</u> |
| Total | 406339 " |

All valves, gates and fittings attached to the foregoing pipe.

SERVICES:

| | |
|----------|----------|
| 1/2" - | 1080 |
| 3/4" - | 1102 |
| 1" - | 171 |
| 1-1/2" - | 19 |
| 2" - | 45 |
| 3" - | 1 |
| 4" - | <u>2</u> |
| Total | 2420 |

METERS:

| | |
|----------------------|----------|
| 5/8" x 1/2" Nash | 1170 |
| 5/8" x 1/2" Keystone | 42 |
| Do. Trident | 35 |
| Do. Empire | 7 |
| Do. Worthington | 1 |
| Do. Columbia | 1 |
| Do. Gamon | 2 |
| Do. Union | 1 |
| 5/8" x 3/4" Nash | 654 |
| 5/8" x 3/4" Trident | 16 |
| Do. Empire | 1 |
| Do. Gamon | 1 |
| Do. King | 1 |
| 3/4" x 3/4" Nash | 43 |
| Do. Keystone | 13 |
| Do. Trident | 7 |
| Do. Empire | 2 |
| 3/4" x 1" Nash | 93 |
| 3/4" x 1" Keystone | 2 |
| 3/4" x 1" Trident | 4 |
| 1" Nash | 24 |
| 1" Keystone | 1 |
| 1" Lambert | 6 |
| 1" Trident | 6 |
| 1-1/2" Nash | 13 |
| 1-1/2" Keystone | 4 |
| 1-1/2" Trident | 1 |
| 1-1/2" Worthington | 1 |
| 2" Nash | 19 |
| 2" Empire | 5 |
| 2" Keystone | 6 |
| 3" Keystone | <u>1</u> |
| | 2203 |

FIRE HYDRANTS:

4"-Keystone
2"-Crane Hydrant Heads

Quantity

33
25

PIPING IN YARD:

| | | |
|-----------------------------|------|---------|
| 3/4" - Galvanized | 120 | Lin.Ft. |
| 1" - " | 260 | " |
| 2" - Standard Screw Dipped | 313 | " |
| 3" - O.D. Casing - dipped | 515 | " |
| 4" - Steel riveted - dipped | 148 | " |
| 4" - O.D. Casing - dipped | 1716 | " |
| 6" - O.D. Casing - dipped | 1227 | " |
| 8" - O.D. Casing - dipped | 570 | " |
| 10" - O.D. Casing - dipped | 40 | " |

All pipe and equipment in wells.

EQUIPMENT IN MACHINE SHOP:

| | |
|---|-----|
| Lathe 21x12 Std. Porter Lathe and tools | 1 |
| Drill press, Champion #202 with center shaft | 1 |
| Drills for press | All |
| Drill press Champion #404 | 1 |
| Forge - Stationery, with Air conn. | 1 |
| Forge - Champion Portable | 1 |
| Blower - 4-in. American - installed | 1 |
| Westinghouse 7 1/2 H.P. Motor starting complete | 1 |
| Emery Wheels - power driven | 2 |
| Emery Wheels - hand driven | 1 |
| Main Shaft - 3" Diam. 30-ft. long | 1 |
| Wood Pulley - 6' Diam. 13" face | 1 |
| Wood Pulley - 3' dia. 7-1/2" face | 1 |
| Wood Pulley - 12" dia. 5" face | 2 |
| Wood Pulley - 12" dia. 17" face | 1 |
| Wood Pulley - 36" dia. 6" face | 1 |
| Wood Pulley - 24" dia. 5" face | 1 |
| Wood Pulley - 12" dia. 3" face | 2 |
| Crane - with 1-1/2 ton hoist | 1 |
| Shafting installed and small tools | |

HIGH PRESSURE FIRE SYSTEM:

| | | |
|------------------------------------|-----|---------|
| 8" - Standard Screw Dipped | 411 | Lin.Ft. |
| 8" - O.D. Casing - dipped | 76 | " |
| 12"- Std. Screw - dipped | 50 | " |
| 8" - Quick opening standard Valves | 5 | |
| 12"- Standard check Valve | 1 | |
| 12"- Quick opening standard Valves | 1 | |
| 5"- Water Relief valve | 1 | |
| Miscellaneous Fittings | | |
| Freight | | |
| Hauling | | |
| Labor | | |

FIRE SYSTEM - ARCADIA PLANT:

Quantity

Fire Hose - Pipes and Fittings

ALL TOOLS.

SURVEYING INSTRUMENTS:

Transit, Level, etc. . . .

MATERIAL ON HAND IN STORE ROOM:

STABLE & GARAGE:

| | |
|--------------------|--------|
| Garford Auto Truck | 1 |
| Wagons | 2 |
| Single Seated Rig | 1 |
| Mare | 1 |
| Harness | 2 sets |

GENERAL OFFICE EQUIPMENT:

| | |
|--------------------------|---|
| Safe Cabinets | 2 |
| Addressograph | 1 |
| Envelope Sealer | 1 |
| Burroughs Adding Machine | 1 |
| Graphotype | 1 |
| Number Machine | 2 |
| Comptometer | 1 |

OFFICE FURNITURE & FIXTURES.

BLOCK & WALL MAPS & PLANS.

TENTH STREET PLANT:

| | |
|--|---------------|
| 1 - # 3 - Ames Deep Well Pump, Comp. installed | 1 |
| 1 - 10" Belt - 35' long | 1 |
| Foundation & pit 6-ft. square 8' deep walls 1 ft., -- | 8 cu.yards. |
| 1 - 14" Double cased Well | 225 lin.ft. |
| 1 frame building 30' x 15' | 1 |
| 3750 Ft. 6" Steel riveted pipe to Arcadia Plant | 3750 lin. ft. |

One circular excavation 145 feet deep and 8 feet in diameter walled with reinforced concrete located on Block 33, Artesian Tract, Sawtelle.

Also all items shown on Exhibit No. 10 of Water Company herein, being summary of the capital expenditures from January 1, 1915, to April 1, 1915.