

BEFORE THE RAILROAD COMMISSION
OF THE STATE OF CALIFORNIA

ORIGINAL

Decision No. 2658

In the Matter of the Application of
HAWTHORNE WATER COMPANY, a corporation,
and the ANNEX CITY WATER COMPANY, a
corporation, and the TITLE INSURANCE
and TRUST COMPANY, a corporation, for
authority to sell and to purchase the
distributing system and the pumping
plant of the Hawthorne Water Company.

Application No. 1792.

Jefferson P. Chandler, for Hawthorne Water Company
H. S. McCallum, for Ascot Park Improvement
Association, protestants
W. B. Mathews, for City of Los Angeles, Intervener

LOVELAND, Commissioner:

O P I N I O N

Hawthorne Water Company, a utility operating in the southern part of the City of Los Angeles, has applied for permission to sell its distributing system of pipes to Annex City Water Company, a utility operating in territory directly adjoining that served by applicant, and to sell its pumping plant to one E. R. Parker, its president.

The Title Insurance and Trust Company enters as the party holding the papers in escrow, and is not concerned with any other feature of the proceeding.

At the hearing held in Los Angeles on July 27, 1915, Mr. J. S. McCallum, representing certain patrons of the Hawthorne system, appeared and protested against the consummation of the transfer. The City of Los Angeles, represented by

W. B. Mathews appeared as an interested party, stating its desire to be assured that there would be no diminution of service caused through the transfer of the property.

An agreement, which was placed in escrow some time previous to the date of this application before this Commission, provides for the following consideration for the transfer of the distributing system to Annex City Water Company:

- (a) Lots 1 to 9, inclusive, in the West Adams Terrace Tract, against which there is a mortgage for \$7500, secured by a note due June 15, 1916.
- (b) Cash to the amount of \$1750.
- (c) An agreement to pay \$250 to Hawthorne Water Company provided title to a certain pipe line is not contested by the City of Los Angeles.
- (d) A series of 4 notes as follows:

- \$750 principal, due July 15, 1915;
- \$750 principal, due August 15, 1915;
- \$750 principal, due September 15, 1915;
- \$750 principal, due October 15, 1915.

All notes to bear 7 per cent interest per annum.

A fifth note for \$927 to cover an unascertained sum now held as consumers' deposits, which are to be paid by Annex City Water Company.

The consideration as above shown is valued at about \$10,000 by the Hawthorne Water Company. The value of the distributing system is in excess of this sum, however, and it was shown that valuations made by both the City of Los Angeles and by F. E. Trask, Consulting Engineer, were in the neighborhood of \$35,000 for all the property, or about \$25,000 for the distributing system.

It developed at the hearing that the City of Los Angeles is a probable competitor with Annex City Water Company for the water business in this district. An offer made by the City of Los Angeles has been refused by Hawthorne Water Company, as the price offered was far below the owner's opinion of its value. It will be unnecessary to pass upon the value of the plant in this decision, inasmuch as I am convinced that the value is in excess of the amount agreed upon in the Esrow proceedings.

The City of Los Angeles introduced evidence at the hearing to show that the pressure was already poor in certain portions of the Annex City Water Company's territory, and objected to further consumers being taken on by that Company. I desired to have our hydraulic department check the pressures as testified at the hearing, and on July 31, 1915, one of this Commission's hydraulic engineers made a careful investigation of pressures over the district. As stipulated, the two water companies and the City of Los Angeles were represented when these tests were being made. The report of our engineer, which has been furnished to all the parties interested, shows that the lowest pressure found at any hydrant was 37 pounds at the highest service in the Annex City Water Company's territory. The pump of the Annex system was discharging directly into the mains at a pressure of about 60 pounds, which exceeded the pressure at that point available from the tank alone by about 36 pounds. When the pump is not running the pressure is considerably less, and I conclude that the tests made by the representative of the City of Los Angeles were made when the pump was shut down. This condition of service direct from the tank is one which I am advised seldom occurs.

The pumping plant is to be sold by Hawthorne Water Company to W. R. Parker, its President, for \$1000. A certified copy of a statement signed by all the stockholders of Hawthorne Water Company has been furnished the Commission. This statement acknowledges the consent of all the stockholders to this transaction.

There has also been furnished to this Commission a certified copy of a lease entered into between W. R. Parker and Annex City Water Company, by which Annex City Water Company will pay W. R. Parker the sum of \$75 per month for the use of the Hawthorne pumping plant as long as desired to be used by Annex City Water Company.

Mr. Adams, President of Annex City Water Company, stated at the hearing that he intended to operate both systems as at present, until such a time as he could provide better facilities. When questioned concerning the improvements, Adams stated that he contemplated the installation of a booster pumping plant which would be run continuously. In a letter, filed August 2, 1915, the Annex City Water Company states:

"Regarding improvements that we contemplate making in both the Annex City Water Company and Hawthorne Water Company plants, in order to supply the people in that district with more pressure, we wish to state that we will have all our plans submitted to your engineers for their approval before any steps are taken or any changes made of that nature."

The quality of service to the patrons of both these water companies will be safeguarded by this statement.

I find that the best interests of the customers will also be served by the application of the rates of the Annex City Water Company to those customers heretofore paying higher rates under the Hawthorne schedule. Both of these schedules

have heretofore been fixed by the City of Los Angeles and have never come before this Commission for investigation.

It will be found necessary to sanction a slightly different schedule of notes than is shown in the agreement under escrow, by substituting a cash payment for a note which would now be overdue.

IT IS HEREBY FOUND AS A FACT that the best interests of the patrons of Hawthorne Water Company and Annex City Water Company will not be diminished by the transfer of these properties according to the application.

I submit the following form of Order:

O R D E R.

HAWTHORNE WATER COMPANY having applied to this Commission for permission to sell its distributing system to Annex/^{City}Water Company and its pumping plant to W. R. Parker, and a hearing having been held and being fully apprised in the matter, and basing its order upon the preceding opinion and finding of facts,

IT IS HEREBY ORDERED that the Hawthorne Water Company be authorized to sell its distributing system to Annex City Water Company under the following conditions:-

First: - That Annex City Water Company comply in detail with the provisions of an agreement placed in escrow with Title Insurance & Trust Company of Los Angeles except as to that portion describing a note of \$750. to be paid July 15th, 1915. Said note shall be cancelled and a cash payment of \$750. made on August 15, 1915.

Second: - That Annex City Water Company charge hereafter the same rates to customers taken from Hawthorne Water Company as the rates which are now collected by Annex City Water Company from its patrons under Ordinance of the City of Los Angeles.

Third: - That Annex City Water Company shall operate the pumping plant now used with the Hawthorne system,

as per a lease entered into June 15, 1915, between these parties, for which a monthly rental of \$75. is to be paid for the use of the pumping plant.

Fourth- That no changes in the manner of serving water to the patrons of these systems be made until the same have received the approval of this Commission.

Fifth:- That the Annex City Water Company file with the Railroad Commission of California a stipulation that it accepts all responsibility to consumers of the Hawthorne Water Company for deposits made by such consumers with said company and will return such deposits to such consumers as may demand such return, and in all particulars assume and discharge the obligations of said Hawthorne Water Company to such consumers relating to such deposits. This Order not to become effective until such stipulation has been filed with this Commission,

AND IT IS HEREBY ORDERED that the Hawthorne Water Company be and it is hereby granted permission to sell its pumping plant consisting of wells, pumps, motors and tanks, and the land upon which they are located, to W. R. Parker, for the sum of One Thousand Dollars.

This Order shall become effective from and after August 7th, 1915, providing the stipulation contained in Condition number Five as to deposits with Hawthorne Water Company has been filed with this Commission.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commis-

sion of the State of California.

Dated at San Francisco, California, this 31 day of
August, 1915.

Max Thelen

H. H. Koulard

W. G. Gordon

Frank P. Fisher

Commissioners.