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Decision No. _____.

ORIGINAL

Decision No. 2226-

BEFORE THE RAILROAD COMMISSION OF THE STATE
OF CALIFORNIA.

In the matter of the application
of DOMESTIC WATER COMPANY OF
SANTA MARIA for an order author-
izing it to sell its complete
water works and water system and
property appurtenant or incident-
al thereto to the CITY OF SANTA
MARIA, a municipal corporation,
and of said City of Santa Maria
to purchase said water works, wa-
ter system and property appurten-
ant or incidental thereto.

Application

No. 2149.

O. W. Jasper, Jr., for Domestic Water
Company.

C. L. Preisker for City of Santa Maria.

BY THE COMMISSION.

O P I N I O N

This is a joint application on the part of
the City of Santa Maria, a corporation, and Domestic
Water Company of Santa Maria, asking for the formal
approval of a contract entered into on March 4, 1916,
and hereafter presented in detail, whereby the City
of Santa Maria agrees to purchase the water system

owned by Domestic Water Company of Santa Maria for \$72,500.

The City of Santa Maria, at an election held on February 26, 1916, voted favorably upon a proposition to issue \$75,000 of bonds for the acquisition of a municipal waterworks. This bond election succeeded a complete investigation and appraisal by both the City authorities and the water company. Mr. Edward Lynch made an appraisal for the City of Santa Maria and reported to the Trustees on August 2, 1915. The Company was represented by its manager, W. S. Everts, and an attempt was made to agree upon the inventory of the property and upon as many of the unit costs as possible. The following figures show the results obtained by the two engineers concerned with the appraisal:

<u>Appraisal of</u>	<u>Cost New</u>	<u>Depreciation</u>	<u>Remaining Value</u>
Everts for Company	\$93,880.	\$13,133.	\$ 80,747.
Lynch for City	83,754.	16,171.	68,615.
Later added			<u>1,513.</u>
			\$ 70,128.
Compromise figure agreed upon			\$ 72,500.

Subsequent to the election at which bonds for the purchase of the water system were authorized, the City of Santa Maria entered into the following agreement with Domestic Water Company of Santa Maria:

"THIS AGREEMENT, made and entered into this 4th day of March, 1916, by and between the City of Santa Maria, a Municipal Corporation of the Sixth Class, of Santa Barbara

County, California, acting by and through its duly authorized officers, the party of the first part, and Domestic Water Company of Santa Maria, a corporation organized and existing under and by virtue of the laws of the State of California, acting by and through its duly authorized officers, the party of the second part.

W I T N E S S E T H:

"That for and in consideration of the promises, payments and covenants to be kept, paid and performed by the party of the first part, the party of the second part does hereby agree to sell and convey unto the party of the first part, and the party of the first part hereby agrees to buy of and from the party of the second part, all that certain real and personal property constituting the complete water works and water system now belonging to the party of the second part, together with all property appurtenant or incidental thereto, including therein all property, real and personal, rights, right of way, easements, privileges, franchises, lands, waters, water rights, reservoirs, pipes, canals, ditches, flumes, mains, pumps, pumping stations, tanks, tank houses, dams, power houses, power lines, engines, machinery, apparatus, appliances, tools, and implements of every kind and nature, and all personal property exclusive of bills receivable belonging to the party of the second part and used by it in its (Domestic Water Company of Santa Maria) pumping station and distributing system in the City of Santa Maria, County of Santa Barbara, State of California, for the sum of Seventy-two Thousand Five Hundred (72,500) Dollars, which the party of the first part promises and agrees to pay to the party of the second part concurrently with the delivery by the party of the second part to the party of the first part of proper transfers and conveyances whereby there shall be granted, transferred, conveyed and assigned to the party of the first part, the property, real and personal, hereinabove mentioned, free and clear of all liens and incumbrances, saving and excepting the lien of taxes for the fiscal year 1916-17, also agrees to deposit with the City of Santa Maria the amount of the state corporation tax, state franchise tax and federal income tax, of the Domestic Water Company, which shall become due and payable during the year 1916, for the period to the date of transfer of Domestic Water Company, to the City of Santa Maria, and which are a lien upon the property covered by this agreement.

"It is further agreed that the above mentioned sale shall be consummated on or about the 1st day of June, 1916, and that the party of the first part shall take possession of the said property hereinbefore described at the date of the consummation of said sale and shall operate said water works and water system without interruption of service to any person or persons now supplied by said party of the second part, with water.

"It is further agreed that all bills, accounts, debts or liabilities of the party of the second part incurred up to the time of the consummation of said sale, shall be by it fully paid and discharged, and it hereby agrees to hold the party of the first part harmless by reason of the existence of any such debts or obligations.

"The party of the second part hereby agrees to pay and cause to be released and canceled of record its bonded indebtedness and the deed of trust securing the same, on or before the consummation of this agreement.

"The party of the first part hereby agrees that on the consummation of said sale it will and it does hereby release the party of the second part from all obligations to furnish water to the party of the first part, and to its citizens, for fire protection or for any other purpose, and does hereby cancel and annul any obligation of the party of the second part which the party of the second part may be under to said party of the first part by virtue of any franchise, right or privilege granted by it to said party of the second part, and the party of the second part does hereby release the party of the first part, on the consummation of said sale, as aforesaid, from any obligation to pay any charges for fire protection, hydrants, or otherwise, agreed by it to be paid.

"It is further mutually agreed between the parties hereto that all unpaid bills for water sold and furnished by the party of the second part to the party of the first part, or to any of its consumers, up to the time of the consummation of said sale as aforesaid, shall be and remain the property of the party of the second part, and the party of the second part shall have and retain the right to collect all sums due to it as aforesaid.

"It is further agreed that the party of the first part shall pay all taxes and assessments of every kind and nature levied upon said property that may become a lien thereon after the first Monday in March, 1916, including taxes for the fiscal year not yet payable.

"It is further agreed that the said property, real and personal, sold by the party of the second part to the party of the first part, under the terms hereof, shall be conveyed by the party of the second part to the party of the first part free and clear of all liens and incumbrances, except as hereinbefore provided.

"This sale is made and shall be subject to the approval of the Railroad Commission of the State of California, and the party of the first part agrees to join in the application which shall be made to said Railroad Commission for leave to sell said water works and water system, and for permission to buy the same as herein set forth.

"This agreement of sale is also made subject to the express provision that the City of Santa Maria, shall be able to sell the municipal bonds authorized at the special election held on the 26th day of February, 1916, in said City, known as Municipal Water Works Bonds, at not less than par, and that all proceedings up to the date of sale shall be found in proper form and the purchase price of said bonds shall be paid therefor to the City of Santa Maria.

"IN WITNESS WHEREOF, the party of the first part has caused these presents to be executed by the President of its Board of Trustees and its City Clerk and its corporate seal to be attached by resolution of its Board of Trustees duly passed on the 6th day of March, 1916, and the party of the second part has caused these presents to be executed by its President and its Secretary and its corporate seal to be attached by resolution of its Board of Directors duly passed at a meeting held on the 4th day of March, 1916.

CITY OF SANTA MARIA.

(Signed) By W. C. Oakley,
President of the Board of Trustees

(Signed) By R. E. Laughlin,
City Clerk.

DOMESTIC WATER COMPANY OF SANTA MARIA.

(S) By George F. Detrick,
President.

(S) By E. K. Pedler,
Secretary."

At the hearing in this case, held in Santa Maria on March 24th, it was agreed by the water company that all the property which it possessed on the 4th day of March, 1916, was to be turned over to the

City of Santa Maria for the sum of \$72,500. This stipulation on the part of the company removes the necessity of an inventory and subsequent appraisal at this date. Provision had been made in the report submitted by Mr. Lynch to the City of Santa Maria, for the installation of the electrical equipment, which has now been in use a few months, and comprises the only important addition to capital account, that has been made since the first inventory was taken in July 1915. Additions to capital account made after March 4, 1916, and up to the date on which the water system was taken over, should reasonably be amicably adjusted between the City and Water Company.

The hydraulic engineers of this Commission made an investigation of the property and an inspection of the books of the company. The inventory was checked as to all the main items, but it was found that an agreement had evidently not been reached in regard to the actual lengths of pipe composing the system. Records of expenditures made by Domestic Water Co., or its predecessors in Santa Maria, have not been preserved, and no estimate was possible to be made of the actual cost of the water system to its owners. The Commission's engineers found that there was no inclusion in the amount of \$72,500. for such intangible items (which are generally matters of dispute) as water rights, going concern, good will, severance damages, etc., although there is a reasonable

overhead allowance made by each engineer for matters of supervision, engineering and administration, etc.

It was found that the unit costs of the pipe system were somewhat larger than usually used for pipe of the same dimension in other localities, but it was determined that this was due to the use of heavy oil well casing, in place of the usual light weight pipe, so common with water utilities. The Commission's engineers reported at the hearing that they considered the plant and system to be worth the sum of \$72,500. and that the City would make no mistake in purchasing the water system at that figure.

It therefore appears to the public advantage, that this application be granted according to the following form of order.

O R D E R

DOMESTIC WATER COMPANY OF SANTA MARIA having made an application for an order authorizing it to sell its complete water works and water system and property appurtenant or incidental thereto to the City of Santa Maria, a municipal corporation, and said City of Santa Maria having joined in said application, and a hearing having been held and being fully apprised in

the matter,

IT IS HEREBY ORDERED that Domestic Water Company of Santa Maria be authorized to sell its complete water works and water system and the property appurtenant or incidental thereto, to the City of Santa Maria, a municipal corporation, for the sum of \$72,500., according to an agreement entered into between Domestic Water Company of Santa Maria and City of Santa Maria on the 4th day of March, 1916, as hereinbefore exhibited in the opinion preceding this order.

The real estate hereby authorized to be conveyed is more particularly described in Exhibit "A", hereunto annexed and made a part hereof.

Dated at San Francisco, California, this 1st day of April, 1916.

Max Thelen

A. D. Loveland

Frank R. DeWitt

Commissioners.

EXHIBIT "A".

All those certain lots, pieces or parcels of land situate, lying and being in the City of Santa Maria, County of Santa Barbara, State of California, and particularly described as follows, to wit:

All that certain real property situate, lying and being in the City of Santa Maria, County of Santa Barbara, State of California, being a part of the southwest Quarter of the northwest Quarter of Section Fourteen (14), Township Ten (10) North, Range Thirty-four (34) West, of San Bernardino Base and Meridian and being bounded and particularly described as follows, to wit:

Commencing at a point on the east line of Broadway, distant one hundred twenty-five (125) feet south from the northwest corner of the land conveyed by Edward T. Ketcham and Julia T. Ketcham (his wife) to Reuben Hart, by deed dated March 1, 1904, and recorded March 4, 1904, in Book 95 of Deeds, page 197, Santa Barbara County records, said northwest corner being the point of intersection of the south line of Fifth Street with the east line of Broadway; thence from said point of beginning running south along the east line of Broadway, one hundred eight (108) feet to the north line of the property conveyed by R. D. Cook and wife to Mrs. Barbara Turman by deed dated January 24, 1877, and recorded August 9, 1878, in Book "T" of Deeds, page 150, et seq., Santa Barbara County records; thence at a right angle and along the said Turman lot and a lot of John Long, east three hundred ninety-five (395) feet to the west line of McClelland Street if extended South; thence at a right angle along the said west line of McClelland Street north two hundred thirty-three (233) feet to the south line of Fifth Street; thence at a right angle and along the said line of Fifth Street, west two hundred twenty (220) feet to the northeast corner of the lot conveyed to Reuben Hart, widower, to Edward T. Ketcham by deed dated April 4, 1905, and recorded April 24, 1905, in Book 97 of Deeds, page 303, Santa Barbara County records; thence at a right angle south and along the said Ketcham lot sixty (60) feet; thence at a right angle and along the south line of said Ketcham lot, west twenty-five (25) feet; thence at a right angle

south sixty-five (65) feet; thence at a right angle west one hundred fifty (150) feet to the east line of Broadway and point of beginning.

ALSO, all rights, rights of way, easements, privileges, franchises, waters, water rights, reservoirs, pipes, canals, ditches, flumes, mains, tanks, tank houses, dams, trestles, pipes, pipe lines, aqueducts, power houses, power lines, machinery, dynamos, pumps, pumping stations, engines, apparatus, appliances, tools, implements and machinery of every kind and description used in, upon or about or in any manner connected with the Domestic Water Company of Santa Maria.

TOGETHER with all and singular the tenements, hereditaments and appurtenances thereunto belonging, or in anywise appertaining, and the reversion and reversions, remainder and remainders, rents, issued and profits thereof.