

DECISION NO.

ORIGINAL

Decision No. 3539

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application of)
W. F. BOARDMAN, CHAS. F. LEEGE, Wm.)
C. CRITTENDEN and CITY OF NEWPORT)
BEACH for the approval of agreement)
and for permission to sell, buy and)
lease certain portions of gas generat-)
ing and distributing system in the)
City of Newport Beach and on the)
Island of Balboa.)

APPLICATION NO. 2367.

Harvey Sanborn and Clyde Bishop
for Applicants.

BY THE COMMISSION.

O P I N I O N.

This is the application of Messrs. W. F. Boardman, Chas. F. Leege and Wm. C. Crittenden who are the owners of a certain gas generating and distribution system in the City of Newport Beach and a gas distributing system on and in the Island of Balboa and the City of Newport Beach, requesting the approval of an agreement entered into between Messrs. W. F. Boardman, Chas. F. Leege and Wm. C. Crittenden and the City of Newport Beach for the sale, purchase and lease of the gas generating and distributing system as covered by an agreement and the transfer of property in the manner provided in said agreement, and further for the determination by the Commission of the fair, just and reasonable value of the gas distributing system and all appliances and appurtenances used on said distributing system in and on the Island of Balboa, together with the transmission pipe line under and across Newport Bay connecting the distributing system in the City of Newport Beach with the distributing system in and on the Island of Balboa.

The parties in this application have entered into an agreement under date of June 19, 1916, to the general effect that subject to the approval of the Railroad Commission of the State of California the present owners agree to sell the gas generating plant with all appurtenances and appliances and including all land in Block 227, Section "A" in the City of Newport Beach to said City of Newport Beach for the sum of \$3000.00 and the City of Newport Beach agrees to pay same upon receipt of a good and sufficient deed conveying said property free and clear of all liens and encumbrances.

The owners further agree to sell and the City of Newport Beach to buy all of the gas distribution system including mains, services and meters in and on the Island of Balboa together with the transmission main under Newport Bay at a price to be determined by the Railroad Commission of the State of California as a fair, just and reasonable value.

Pending the finding of the just and reasonable value and the approval of the agreement, the owners agree to lease to the City of Newport Beach the gas system in Newport Beach and the Island of Balboa for a period of ninety days or less for the sum of \$250.00 per month, and the owners reserve the right to remove their mains not purchased by the City of Newport Beach at the termination of the lease if work of removal is commenced within thirty days and completed in a reasonable time.

At the hearing in this application held at Newport Beach on June 30, 1916, Mr. E. S. Bryant, an Assistant Engineer in the Gas and Electric Department of the Railroad Commission, submitted a valuation of the gas properties in Balboa Island and the transmission main connecting the distributing system in Newport Beach with that in Balboa Island. Mr. Bryant's valuation included an estimate of the reproduction cost new as of June 12, 1916, together with an estimate of the reproduction cost less accrued depreciation determined by a careful inspection of the condition of the pipe,

consideration having been given to the comparative value of the pipe as now existing with that of a new system constructed at the present time. Additional estimates were submitted of the probable original cost and original cost less depreciation, which are summarized as follows:

<u>Items, including Overheads.</u>	<u>Reproduction Cost New</u>	<u>Reprod. Cost Less Depreciation</u>	<u>Original Cost</u>	<u>Original Cost Less Depreciation</u>
Mains	\$ 2346	\$ 1579	\$ 1967	\$ 1329
Services	42	29	39	26
Regulators	70	47	70	47
Meters	175	118	166	111
Grand Total	<u>\$ 2533</u>	<u>\$ 1773</u>	<u>\$ 2242</u>	<u>\$ 1513</u>

The applicants in this case are asking for the determination of the fair and reasonable price to be paid for a distributing system, and under the conditions existing in this case the only value which the system has is apparently its value as compared with the cost of duplicating the present service. We consider, therefore, that the estimated cost to reproduce less the depreciation as determined by inspection which may readily be considered as the value as compared with a new system, is the fair and reasonable price to be paid for the system.

The sum of \$1773.00 we therefore conclude is the fair price to be paid for the distribution system with its appliances and appurtenances located in the Island of Balboa, together with the transmission main as previously noted and consisting of the following: 5230 feet of two-inch mains; 4530 feet of one-inch laterals, twenty-five three-fourths-inch services, twenty regulators and nineteen meters, as listed in Mr. Bryant's valuation.

O R D E R.

Messrs. W. F. Boardman, Chas. F. Leege and Wm. C. Crittenden, owners of a certain gas production and distribution system in the City of Newport Beach and Island of Balboa and the City of Newport Beach having applied to this Commission to fix a fair value

of the certain distribution and transmission system and to sell said property together with a certain gas generating plant and certain real property to the City of Newport Beach, and also for authority to lease all of said property to the City of Newport Beach under certain conditions, and a hearing having been had upon this application and the Commission being duly advised in the premises,

THE COMMISSION HEREBY FINDS That the sum of \$1,773.00 is the fair value for the gas distribution system with its appliances and appurtenances located in and on the Island of Balboa together with the transmission main under Newport Bay connecting the gas distribution system in Newport Beach with that in the Island of Balboa and consisting of the following: 5,230 feet of two inch mains; 4,530 feet of one inch laterals, twenty-five three-fourths inch service, twenty regulators and nineteen meters.

IT IS HEREBY ORDERED That W. F. Boardman, Chas. F. Leege and Wm. C. Crittenden be and they hereby are authorized to transfer to City of Newport Beach for the sum of \$1,773.00 the gas distributing system and the transmission main above described, and they are further authorized to transfer to the City of Newport Beach for the sum of \$2,000.00 that certain real property in the City of Newport Beach more particularly described as Block 227, Section "A", together with the gas generating plant and all appurtenances and appliances situated thereon, and W. F. Boardman, Chas. F. Leege and Wm. C. Crittenden are hereby authorized to lease to the City of Newport Beach all of the property mentioned in this order for a period of ninety days or less for the sum of \$250.00 per month in accordance with the terms and conditions of that agreement entered into between the parties of this application on June 19, 1916, and filed as Exhibit "A" in this proceeding.

The authority herein granted to sell or lease the property above described is made upon the following conditions and not otherwise: The City of Newport Beach shall file with the Railroad Commission a stipulation duly authorized by its Board of Trustees, stating whether the system so purchased or leased is serving any consumers outside the municipal limits, and that if so, the city will in the event that it purchases or leases any or all of the property above described, operate said property assuming all the obligations which the former system owed to the public as a public utility, and the Commission shall have made a supplemental order stating that such stipulation has been filed with the Commission in form satisfactory to the Commission.

The authority herein granted to sell or lease public utility property shall apply only to the sale or lease of property on or before September 30, 1916.

Dated at San Francisco, California, this 24th day of July, 1916.

Max Thelen

H. S. ...

Stuart R. DeWolfe

Commissioners.