

Decision No. _____.

ORIGINAL

Decision No. 3540

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 to sell, and the City
of Huntington Beach to purchase a
gas system in the said city, and
for the Commission to fix the price
to be paid therefor.

Application No. 2366.

H. H. Sanborn for Applicant.
A. B. Nelson for City of Huntington
Beach.

BY THE COMMISSION.

O P I N I O N

In this application Messrs. W. F. Boardman, Chas. F. Leege and Wm. C. Crittenden, owners of a gas distribution system in the City of Huntington Beach, and the City of Huntington Beach, a municipal corporation, apply to the Commission for the determination of the fair price which said City of Huntington Beach shall pay to the owners of the gas distribution system for said system, and further for the approval by the Commission of the sale of said distribution system by the present owners to the City of Huntington Beach at the price determined by the Commission.

Messrs. Boardman, Leege and Crittenden are owners of 65%, 20% and 15% respectively of the gas distribution system now supplying the City of Huntington Beach which system was formerly operated by the West Coast Gas Company, gas being obtained from a gas plant located at Newport Beach.

The City of Huntington Beach has entered into a contract with the Southern Counties Gas Company for a supply of natural gas to be distributed to its inhabitants and it desires therefore to purchase the present system rather than install a duplicate system.

At the hearing in this application held at Huntington Beach on June 30, 1916, Mr. E. S. Bryant, Assistant Engineer in the Gas and Electric Department of the Railroad Commission, submitted a valuation of the gas system located within the corporate limits of Huntington Beach. In his report Mr. Bryant submitted an estimate of the reproduction cost new as of present day prices, also a reproduction cost less depreciation based upon a careful inspection of the property, consideration being given to the adequacy with which the system rendered the service required. An estimate was also made of the original cost and original cost less depreciation. The following is a summary of the estimates made by Mr. Bryant:

GAS DISTRIBUTION SYSTEM--CITY OF HUNTINGTON BEACH

<u>Including Overheads</u>	<u>Reproduction new</u>	<u>Loss Depreciation</u>	<u>Estimated Original Cost</u>	<u>Less Depreciation</u>
Mains	\$13,796	\$8,133	\$11,723	\$6,866
Services	430	258	401	241
Regulators	624	474	624	474
Meters	<u>1,763</u>	<u>1,242</u>	<u>1,660</u>	<u>1,168</u>
Total System	\$16,613	\$10,107	\$14,408	\$8,749

An investigation was also made by the Commission to determine the effect of electrolysis on the present system and testimony by Mr. Bridge of the Commission's Electric Department tends to show that although electrolysis had apparently caused deterioration

of the pipes no abnormal condition existed at the present time, and as Mr. Bryant's estimate is based upon an inspection any deteriorating effect has been taken account of.

Included in Mr. Bryant's valuation is the value of the two-inch transmission main, some 4500 feet long, within the city limits of Huntington Beach which is at present used in supplying artificial gas from the Newport plant, and although this may not be required in supplying natural gas to the City of Huntington Beach, it would appear of value should the city determine to depend upon the City of Newport Beach for a supply of artificial gas in case of failure of the gas transmission system of the Southern Counties Gas Company. However, the application does not specifically state whether the city proposes to purchase this part of the system or not. It therefore appears advisable to segregate the value of the distribution system from the transmission system and include also an estimate of the transmission main.

Considering all the evidence in the case, it would appear that the following is a fair and just value of the gas distribution system in the City of Huntington Beach and represents the price which said City of Huntington Beach should pay to Messrs. Boardman, Leeger and Crittenden for said system:

TABLE NO. 1.

INVENTORY AND FAIR VALUE-- GAS DISTRIBUTION SYSTEM

Huntington Beach, California

Item	Quantity	Fair Value
2" Transmission Main. East City Limits to First Street	4500 ft	\$825.00
2" Distribution Mains	19760 ft	4,086.00
1" Distribution Vertical Laterals ..	32396 ft	2,993.00
3/4" " " "	1950 ft	229.00
		<hr/>
Total Mains		\$8,153.00
Services	261	258.00
Regulators		
Perfection No. 1	148	385.00
Reliance No. 1	32	89.
		<hr/>
		474.00
Meters		
3 light standard	195	1200.00
5- " "	4	33.00
Sprague No. 1-A	1	9.00
Total Meters		<hr/>
		1,242.00
		<hr/>
		\$ 10,107.00

ORDER

Messrs. W. F. Boardman, Chas. F. Leege and William C. Crittenden, owners of a certain gas distribution system, and the City of Huntington Beach having applied to this Commission to fix a fair and reasonable price to be paid for the certain distribution system, and to sell said property, 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 \$10,107.00 is a fair price to be paid and received for the gas distribution system, with its appliances and appurtenances, located in the City of Huntington Beach, and consisting of the various amounts of pipe and the numbers of services, regulators and meters as listed in Table 1, above.

IT IS HEREBY ORDERED that W. F. Boardman, Charles F. Leege and William C. Crittenden be, and they hereby are, authorized to transfer to the City of Huntington Beach the gas distributing system above described in accordance with the terms and conditions of the agreement entered into between said parties and the City of Huntington Beach, under date of June 9, 1916, and filed as Exhibit "A" in these proceedings.

The authority herein granted to sell or lease the property above described is made upon the following conditions and not otherwise: The City of Huntington 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
W. F. Boardman
Charles F. Leege
William C. Crittenden
Stuart R. Dewler
Commissioners.