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Decision No. _____

ORIGINAL

BEFORE THE RAILROAD COMMISSION
OF THE STATE OF CALIFORNIA.

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In the Matter of the Application)
of the CITY OF SONOMA for appraise-) Application No. 2115.
ment of the plant of the City Water)
Works Company.)

C. C. Cowgill, City Attorney, for
City of Sonoma.
Frank Sprague, for City Water Works Company.

DEVLIN, Commissioner.

O P I N I O N .

This is a proceeding instituted by the City of Sonoma, through its Board of Trustees, under Sections 47 and 70 of the Public Utilities Act, for the purpose of fixing and determining the just compensation to be paid by City of Sonoma for the lands, property and rights of the City Water Works Company, exclusive of its right to be a corporation, a public utility engaged in the sale and distribution of water for domestic and municipal purposes in the City of Sonoma, Sonoma County.

The application of the City of Sonoma alleges in effect, that the City of Sonoma is a municipal corporation duly organized and existing; that petitioners, as Trustees of said City of Sonoma, intend to initiate such proceedings as may be required under the law governing said city, for the purpose of submitting to the voters of said city the proposition of acquiring under eminent domain proceedings, or otherwise, the plant of the City Water Works Company, and to operate same as a municipal water system; and that Luisa V. Emparan and Maria V. Cutter are the owners and operators, as co-partners, of the business and property

of said City Water Works Company.

Attached to the petition and marked Exhibit "A" is a full description of the lands, property and rights of City Water Works Company which the City desires to acquire under this proceeding.

A public hearing on this matter was held in Sonoma on May 26, 1916, at which City Water Works Company appeared and presented testimony as to the value of its property.

The inception of this water system is of unusual historic interest. Along the foothills bordering Sonoma Valley to the north lies an artesian water belt. At a point about one-half mile west of the present City of Sonoma, the suppressed artesian pressure breaks forth in a perennial spring.

In 1835, General M. G. Vallejo, father of Mrs. Emparan and Mrs. Cutter, and who had been commissioned by the Mexican Government to establish a military and trading station north of San Francisco Bay, no doubt attracted by this profuse supply of clear water, chose the spot as his place of residence, and proceeded to lay out what is now the City of Sonoma. With the poetic conception of natural phenomena characteristic of his race, he named this spring Lachryma Montis, or "Tear of the Mountain". In 1873, use of the spring was first permitted for public purposes. The supply was first taken from an uncovered artificial pond and conveyed into town in wooden pipes under very low head, giving the community the first public water supply it ever had, and replacing most of the old wells and hand pumps then in use. The City Water Works dates from this period. About eight years ago, the original plant was replaced, the wooden pipe with wrought iron and riveted steel, the pond with wooden storage tanks, and in addition, a pumping system installed to provide pressure.

Improvements, particularly in relation to the pumping plant and development of the supply, have been made from time to time since then, until at the present date the water system is reasonably efficient.

I will now discuss the properties sought to be acquired under the following heads:

1. Physical structures.
2. Lands.
3. Water rights.

1. PHYSICAL STRUCTURES.

Appraisals of the physical structures were presented on behalf of the City Water Works Company by Otto Von Geldern, and on behalf of the Railroad Commission by Assistant Engineer James Armstrong. No estimate was presented by the City of Sonoma. Mr. Von Geldern estimates these structures as having a reproduction cost now of \$24,493.91, and a depreciated reproduction cost as of March 20, 1916, of \$22,051.00, depreciation being computed on a 4% sinking fund basis. Under the head of "Development Expense" an additional sum of \$1,700.00 is claimed for engineer's reports, legal expenses and interest during construction. It is evident that this sum is properly an overhead charge, and as such should be added directly to the estimated cost. In view of the fact that the total overhead used by Mr. Von Geldern, exclusive of the \$1,700, amounts to but 3.85%, the sum claimed as "Development Expense" appears to be reasonable.

Railroad Commission's Exhibit No. 1 shows the cost of these structures as \$23,810.00 with a depreciated cost as of March 23, 1916, of \$19,568.00, depreciation being computed by the straight line method. Mr. Armstrong testified that he was able

to obtain practically all the vouchers for the labor and materials entering into these structures, and that, therefore, his estimates might be considered a very close measure of actual cost. The actual overhead expenses were found to be 11%. He also recommends that consideration be given certain necessary services which were actually rendered but for which there appears to have been no charge made. These items amount to \$1330.00 and are in the main identical with those claimed by Mr. Von Geldern under the head of "Development Expense". In final analysis, very little difference appears to exist between the estimates of these two engineers.

2. LANDS.

The real property of the City Water Works Company sought to be acquired under this proceeding by the City of Sonoma is specifically described in Exhibit "A" attached to the petition of the City of Sonoma. Attached to Exhibit "A" is a map which graphically described and schedules this real property, as follows:

<u>Parcel</u>	<u>Acreage</u>	<u>Purpose for which Used</u>
A	2.28	Wells and pumping plant
B	0.05	Pipe line to reservoir
C	1.00	Reservoir site
D	0.56	Right of way for road & pipe line
E	1.52	Right of way for road & pipe line

The only testimony as to the value of these lands and rights of way was presented by City Water Works Company. During the course of the hearing both parties to this proceeding agreed that the value of the "low" land, under which head would come parcels A, B and D, was somewhere between \$275.00 and \$300.00 per acre. The testimony indicates the value of the "hill" land, cover-

ing parcels C and E, to be between \$40.00 and \$50.00 per acre. The evidence also shows that no particular damage would accrue to City Water Works Company and the owners thereof through the use by the City of Sonoma of the rights of way specified in parcels D and E, and that such use would not have a value equal to the value of the land upon which they were granted.

While City Water Works Company entered a claim of damages based on the severance of these small parcels of land from a large tract owned by Mrs. Emparan and Mrs. Cutter, known as the Vallejo ranch, no evidence was introduced to show the amount, if any, of this damage. The Vallejo ranch consists of about 300 acres, of which 164 acres are of the so-called "low" land, the remainder lying in the foothills. The tracts desired by the City of Sonoma are some of the choicest portions of the ranch and are immediately adjacent to the ranch house itself. The spring from which the water supply is obtained is located on parcel A. Mr. Von Geldorn, for City Water Works Company, testified that the taking away of this spring from the ranch as a whole would greatly depreciate the value of the remaining lands, but stated that he had no means of calculating the amount to which they would be damaged.

I have hereinbefore indicated most of the facts adduced from the testimony and bearing upon the value of these lands, and full consideration will be given to all matters in any way affecting their value in arriving at the just compensation to be paid for them.

3. WATER RIGHTS.

Evidence bearing on the value of these rights was presented by City Water Works Company through the testimony of

C. E. Grunsky and Otto Von Geldern. City Water Works Company's Exhibit "B", prepared by Mr. Von Geldern, furnishes us information concerning the Lachryma Montis spring, the essential facts of which are as follows: The pumping test made October 24, 1915, showed the spring readily yielded 351,000 gallons a day. This is more water than is required at the present time. The average daily use of the present 850 consumers supplied by this Company, during the warmest summer month, does not exceed 180,000 gallons, the probable maximum use on the warmest summer day being about 230,000 gallons, showing that an increase of over 50% in the present maximum daily consumption may be permitted. The present consumption - based on 850 persons - shows a ^{maximum} daily per capita use of 270 gallons; a summer daily per capita use of 170 gallons; a winter daily per capita use of 100 gallons; and an average daily per capita use for the entire year of 135 gallons. According to measurements made by Mr. Von Geldern, the limit of the yield of the spring has not been reached.

The following table shows the result of improvements to the spring carried out in 1913:

	<u>1912</u>	<u>1915</u>	<u>Increase</u>
Annual utilization	28 mill galls.	42 mill galls.	50%
Average daily per capita	118	135	15%
Number of consumers	650	850	31%
Monthly receipts	\$238	\$333	40%

Based upon an arbitrary value of \$77,400.00 per million gallons per day developed water, or about \$1,000.00 per miner's inch, Mr. Von Geldern places a value of \$17,800.00 upon this spring, which he subsequently qualified with the statement that the Lachryma Montis spring, as a source of water ^{supply}, is worth from \$15,000.00 to \$20,000.00. Without naming any definite sum, he

indicates a value which might be derived from this water supply if used for irrigation.

Based upon the assumption that sufficient consumers were available to utilize two-thirds of this spring's maximum capacity, Mr. Grunsky values its water rights at \$20,000.00, but in view of the fact that it is not at present utilized to that extent, places its present market value at about \$15,000.00. These conclusions are predicated upon the hypothesis that the net income derived from the sale of this water will produce a return of 10% upon the regional cost of production. In this witness's opinion, the effect which the sale of this spring will have upon the remaining property of the Vallejo ranch is an element which should be considered in arriving at its value.

The theory advanced by Mr. Grunsky clearly indicates that in his opinion the value inherent in this spring must be created from the earnings. Water Company's Exhibit "B", heretofore referred to, shows that under the present conditions City Water Works Company is not operating at a profit, and that in order to earn 8% upon an investment of \$24,000.00 a gross maximum of \$5,196.00 per annum is required. Under the rates now in effect, the gross annual income is only about \$4,000.00. It must be evident, therefore, that in arriving at the value placed upon this spring, both of these engineers have considered potential or prospective value which, from the evidence before me, this water business clearly seems to possess. In this regard it is clearly the province of this Commission only to determine the value of the properties in accordance with the Public Utilities Act, consideration of their value at some future period appearing to me to be only a matter of speculation with many limitations. There is nothing in the evidence to connect the ^{arbitrary} sum of \$77,400.00 per

million gallons per day developed water, assumed by Mr. Von Geldern as the unit of value, with the value of water in the vicinity of Sonoma, the witness admitting that this unit was purely arbitrary.

The theories concerning water rights presented by these two engineers I have discussed merely to point out some of the difficulties presented in considering this question. With the general conclusion reached by these engineers, that is that the waters of this spring have a value, I concur, and this fact is being given consideration herein. While there is some testimony showing that water may be pumped from wells located in the "low" lands in the vicinity of the City of Sonoma, the weight of the evidence indicates that such wells can not be subjected to continuous pumping and that no dependable water supply for a comparatively large number of consumers can be obtained from this source.

I am very much inclined to believe, from the facts as shown in this proceeding, that this Water Company has a developed supply of water superior to any already developed in the vicinity, and that its rights to the continued use of this water which it has heretofore developed and used, are reasonably secure, and that these are facts which add value to the property of this Company and for which just compensation must be paid.

Although reference has been made to only a portion of the evidence/^{presented} in this proceeding, it should be understood that all of the evidence has been carefully considered and the weight given to each portion thereof to which it seems

fairly and reasonably entitled.

I recommend the following findings:

F I N D I N G S .

The City of Sonoma, 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, the land, property and rights of City Water Works Company, a public utility, and asking the Railroad Commission to fix and determine the just compensation to be paid to City Water Works Company for its land, property and rights, and a public hearing having been held and the Commissioner who heard the evidence having made a personal inspection of most of the properties of City Water Works 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 Sonoma to City Water Works Company for said Company's land, properties and rights, as described in Exhibit "A" which is attached hereto and made a part hereof, is the sum of \$30,700.00.

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 23rd day of September, 1916.

Max Thelen

W. B. Leland

Edwin C. Edgerton

Stanley R. Berlin

Commissioners.

EXHIBIT "A" .

All those certain pieces or parcels of land situate and being in the County of Sonoma, State of California, and rights of way for roads and pipe lines, all of which are more particularly described upon that certain map prepared by Thos Lewis, Esqr., City Engineer for City of Sonoma, and attached to the petition in Application #2115, and marked Exhibit "A".

WATER RIGHTS.

The water supply of said Water Works Co., is obtained from a spring located on Parcel "A", which spring and all the water flowing therefrom, and the land on which the same is located is owned by said Luisa V. Emparan and Maria V. Cutter. Said spring flows approximately 430000 gallons per day, 24 hours.

REAL ESTATE.

Parcel "A". All that parcel of land situate in the County of Sonoma, State of California, and described as follows, to-wit:

Beginning at an iron pin at the intersection of the Southerly property line of Spain street with the center line of 3d street West, of the City of Sonoma, County of Sonoma, State of California, running thence along the center line of a 40 foot road North 6° 29' East, 1648.95 feet to an iron pin; thence North 89° 21' West 115.3 feet to the point of beginning of this description; thence North 82° 51' West 201.6 feet to a point; thence North 9° 45' East 360 feet to a point; thence South 80° 15' East 342.3 feet to a point; thence South 9° 45' West 224.3 feet to a point; thence North 83° 15' West 63 feet to a point; thence North 25° 34' West 21 feet to a point; thence North 83° 56' West 72 feet to a point; thence South 6° 39' West 136.2 feet to the point of beginning. Containing 2.28 acres of land. Bearings are true.

Magnetic variation $17^{\circ} 45'$ East.

Parcel "B". Strip of land for pipe line from tanks to reservoir.

Beginning at the North East corner of Parcel "A" at a stake marked #2, thence North $80^{\circ} 15'$ West 65 feet along the Northerly line of said parcel "A" ~~from~~ the point of beginning of this description, thence North $43^{\circ} 06'$ East 107.7 feet to a point in the Southerly line of parcel "C"; thence North $70^{\circ} 47'$ West 21.8 feet along said Southerly line of parcel "C" to a point which bears South $70^{\circ} 47'$ East 41.2 feet from the South West corner of said parcel "C"; thence South $43^{\circ} 06'$ West 112 feet to a point in aforementioned Northerly line of parcel "A" thence along the Northerly line of parcel "A" South $80^{\circ} 15'$ East 23.9 feet to the point of beginning. Containing 0.05 of an acre of land. Bearings are true. Magnetic variation $17^{\circ} 45'$ East.

Parcel "C". Reservoir site. Beginning at the North East corner of parcel "A", at a stake marked #2, thence North $20^{\circ} 49'$ West 115 feet to the point of beginning of this description; thence North $19^{\circ} 13'$ East 208.6 feet to a point; thence South $70^{\circ} 47'$ East 208.6 feet to a point; thence South $19^{\circ} 13'$ West 208.6 feet to a point; thence North $70^{\circ} 47'$ West 208.6 feet to the point of beginning. Containing one acre of land. Bearings are true. Magnetic variation $17^{\circ} 45'$ East.

Parcel "D". Right of way for 20 foot road and pipe line. Right of way for road 20 feet wide being 10 feet at right angles Northerly and 10 feet at right angles Southerly, from the following described center line; beginning at a point in the Northerly line of parcel "C", which point bears North $70^{\circ} 47'$ West 104.3 feet

from the North East corner of parcel "C", and South 70° 47' East 104.3 feet from the North West corner of said parcel "C"; thence North 52° 09' East 92.5 feet to a point; thence South 88° 08' East 75.7 feet to a point; thence South 39° 08' East 84.2 feet to a point; thence South 44° 40' East 58.7 feet to a point; thence South 70° 10' East 734.3 feet to a point; thence South 76° 35' East 170.3 feet to a point in the Westerly line of First Street West in the City of Sonoma, County of Sonoma, State of California. Containing 0.56 of an acre. Bearings true. Magnetic variation 17° 45' East.

Parcel "E". Right of way for road and pipe line. Beginning at an iron pin at the intersection of the Southerly property line of Spain Street with the center line of 3d street West, in said City of Sonoma; thence North 6° 29' East 55 feet to a point in the Northerly line of Spain street from the point of beginning of this description; thence South 83° 30' East 20 feet to a point; thence North 6° 29' East 1593.95 feet to a point; thence North 83° 21' West 135.3 feet to a stake at the South East corner of parcel "A" marked #7; thence North 82° 51' West 20 feet to a point; thence South 7° 09' West 20 feet to a point; thence South 83° 21' East 108.95 feet to a point; thence South 11° 28' East 21 feet to a point; thence South 6° 19' West 1552.7 feet to a point in the Northerly line of Spain street; thence South 83° 30' East 20 feet to the point of beginning. Containing 1.52 acres of land. Bearings true. Magnetic variation 17° 45' East.

BUILDINGS.

The following are the improvements on said parcel "A",
to-wit:

Main building one story corrugated iron 30 x 30 feet.

One one story frame shed 15 x 15 feet.

One one and a half story frame cottage 12 x 12 feet.

Two red wood tanks each capacity of 25000 gallons.

One one story frame cottage 12 x 18 feet.

RESERVOIR.

Reservoir 22 x 48 feet at the bottom, 24 x 50 feet at the top, 10 feet deep, capacity 84322 gallons. Said reservoir is constructed of stone and cement, and is located on parcel "C".

PUMPING PLANT AND EQUIPMENT.

One 60 Horse power gasoline engine.

Two electric motors 25 Horse power each, complete with all electric equipment, including switches, wiring, auto starter, &c.

Two five inch centrifugal pumps, delivery pipes, fittings and valves.

Miscellaneous tools and equipment.

Said pumping plant is located on parcel "A".

TRANSMISSION MAINS.

170 feet of 8 inch standard wrought steel pipe.

1825 feet of 6 inch riveted steel pipe to the North line of Spain street in said City of Sonoma, the point of beginning of the distributive system.

Also, all gate valves, air valves, toes, elbows and other fittings and appliances on transmission mains.

Distributive Mains.

4255 feet of 6 inch riveted steel pipe.

4860 feet of 4 inch riveted steel pipe.

4790 feet of 5 5/8 inch dipped casing.

5985 feet of 3 3/4 inch dipped casing.

6660 feet of 2 inch galvanized pipe, all in place and connected up with said water plant.

Also, all pipe fittings and specials on said distributive system.

Two red wood tanks on concrete foundation, each capacity of 25000 gallons, and located on parcel "A".

Also, all inlet, outlet and connecting pipes, valves, fittings &c for these tanks.

Also, all miscellaneous tools and equipment.

Also, four meters and their boxes.

MISCELLANEOUS EQUIPMENT.

A map showing all pipes, services, meters, fire hydrants &c.

Also all tools and appliances for street work, and all plumbing tools and appliances.

MISCELLANEOUS.

All other improvements not heretofore listed; all fencing of any character and all other property owned by Luisa V. Emparan and Maria V. Cutter, on the 1st day of February, 1916, and used and useful in the conduct of their water utility business.