

Decision No. \_\_\_\_\_

ORIGINAL

Decision No. 4373-

## BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

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In the Matter of the Application of the  
CITY OF SAN FERNANDO, a municipal cor-  
poration, that the Railroad Commission  
fix and determine the compensation to  
be paid the San Fernando Mission Land  
Company and the Consolidated Securities  
Company for their certain water systems  
in the said City of San Fernando.

Application No. 2771.

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E. A. Decker, City Attorney, for City of San Fernando.  
Marshall Stimson and Sayre Mac Neil for MacLay Rancho.  
Water Company.

Percy B. Hammon for Consolidated Securities Company.  
W. H. Joyce for San Fernando Mission Land Company.

LOVELAND, Commissioner:

OPINION.

This action is preliminary to the ownership and operation,  
by City of San Fernando, of a municipal water system and is brought  
under the provisions of Section 47 of the Public Utilities Act.

San Fernando Mission Land Company is engaged in the develop-  
ment of large tracts of land in the San Fernando Valley. A portion of  
its holdings consist of a plant for the sale and distribution of water  
for domestic purposes within the City of San Fernando. Consolidated  
Securities Company is also primarily a land company, a portion of its  
property being likewise devoted to public service for the supplying of  
water to the residents of the City of San Fernando. The entire prop-  
erties of the Consolidated Securities Company, including the water  
system heretofore mentioned were obtained by purchase under contract  
from MacLay Rancho Water Company, permission for such transfer being  
secured from this Commission on May 15, 1913, under Decision No. 669  
in Application No. 545, entitled "In the Matter of the Application of  
MacLay Rancho Water Company for permission to sell, and of the Com-

solidated Securities Company for permission to buy a certain telephone system and a certain water and power system in and about San Fernando, Los Angeles County, California. (Vol. 2, Opinions and Orders of Railroad Commission of California, p. 927.) By a stipulation of counsel the evidence in this matter was introduced in the present application.

At a public hearing held in this matter in San Fernando, April 12, 1917, City of San Fernando filed an amended application containing amended inventories of the property sought to be acquired. By agreement of counsel, these amended inventories insofar as they related to physical structures were stipulated to be agreed inventories. The water properties of these companies which applicant seeks to acquire in this proceeding are confined to the mains, services, meters and the like, constituting their distributing systems, together with certain rights, rights-of-way, easements, franchises and licenses used in connection therewith, and eliminates from purchase their sources of supply, pumping plants, reservoirs, and, in the case of Consolidated Securities Company, certain transmission pipe lines used exclusively for the conveying of water through the City of San Fernando for irrigation use without the corporate limits of said city.

These water plants were installed at two distinct periods. The original systems were constructed about 1887 for the supplying of water for irrigation purposes but the rapid growth of San Fernando subsequent to 1906 has resulted in comparatively large expenditures, particularly in the last five years, to meet the increased demands of the community for domestic water. While considerable testimony was introduced by City of San Fernando to show that those portions of the distributing systems installed in 1887 had reached the limit of their usefulness, in accordance with stipulations later introduced into the record and reference to which will hereinafter be made in detail, counsel for both San Fernando Mission Land Company and Consolidated Securities Company agreed to waive any value which might be remaining in the pipe lines originally installed in 1887.

Appraisals of the physical structures inventoried in this

application were submitted by James Armstrong, one of the Commission's engineers. He testified that records of a large portion of the actual expenditures on these water properties were available and that to this extent his appraisals should be considered as estimated actual cost. His figures are as follows:

	ESTIMATED COST	EST. COST LESS DEPRECIATION
San Fernando Mission Land Co.	\$21,516	\$14,968
Consolidated Securities Co.	29,262	14,577

To the amounts representing the estimated cost and estimated cost less depreciation of the physical structures of the San Fernando Mission Land Company, it is necessary to add the sums of \$2042 and \$1856 respectively for 1600 feet of 9 5/8" I.D. Casing installed in 1913 which through error were omitted from Armstrong's appraisal.

Using these appraisals as a basis, S. G. Chamberlin, City Engineer, submitted estimates as to the value of these properties to the City of San Fernando arriving at a figure of \$8932 for the properties of the Consolidated Securities Company and, while presenting no definite amount, indicating for the properties of the San Fernando Mission Land Company a substantial reduction under the appraisal of the Commission's engineer.

In view of the stipulations herein mentioned, it is not necessary to discuss in detail these estimates but I do desire, however, to point out to counsel for the City the difficulty of accepting, in a proceeding of this character, the hypothesis on which they have been predicated. While it is evident they have been prepared in good faith after thorough investigation, the unsoundness of the theory advanced is apparent whenever carried to its ultimate conclusion. Mr. Chamberlin has evidently arrived at his values for these properties by calculating their worth to the City of San Fernando when, at some future time, they become merged into an enlarged municipal system and while it is not only helpful but necessary, we have before us the opinion of the vendee as to

what, in his mind, will constitute the benefit to be derived in putting the thing purchased to his own particular uses. I am entirely of the opinion, having in mind the regulatory power of this Commission, that we are constrained to determine the worth of the things to be transferred under the conditions and for the purposes for which they are being utilized at the time of the valuation and not under some future different and, as might often be the case, less valuable use.

I shall now briefly state the stipulations entered into by counsel at the hearing. In effect, Consolidated Securities Company and San Fernando Mission Land Company, in consideration of the assumption by City of San Fernando of their obligations to deliver, within the city limits of San Fernando, water for both irrigation and domestic purposes, and of the granting by the City of San Fernando to them of the right, subordinate to the rights of said city, to lay and maintain pipe lines, and to occupy such rights-of-way as are necessary therefor, for the transmission through said city of water for irrigation or for other uses, outside the limits of said city, agreed to waive any and all damages which might accrue to them through the severance of the properties sought to be acquired from those remaining.

In pursuance of this agreement, City of San Fernando and Consolidated Securities Company jointly presented for the consideration of the Commission a figure of \$12,500 as representing the fair value of the properties to be obtained from Consolidated Securities Company. This agreed figure is considerably under that presented by the Commission's Engineer for the physical structures of this company alone and I am of the opinion, represents a good bargain to the City of San Fernando. While no similar agreed value was presented relative to the properties of

San Fernando Mission Land Company, the evidence shows that no exceptions, beyond those of omission heretofore referred to, were taken by either the city or the company to this appraisal, and I shall recommend it as a basis for findings.

### F I N D I N G S.

City of San Fernando, an unincorporated city, having filed with the Railroad Commission a petition setting forth the intention of said city to acquire under eminent domain proceedings or otherwise, certain property and rights of Consolidated Securities Company and certain property and rights of San Fernando Mission Land Company, public utilities operating within the boundaries of said city and asking the Railroad Commission to fix and determine a just compensation to be paid to Consolidated Securities Company and to San Fernando Mission Land Company for these certain properties and rights, and a public hearing having been held and the Commission being fully advised in the premises,

The Railroad Commission hereby finds as a fact that the just compensation to be paid by the City of San Fernando to Consolidated Securities Company for such of said company's properties and rights, as said property and rights are described in Exhibit No. 1, which is attached hereto and made a part hereof, is the sum of \$12,500.

And the Railroad Commission finds as a fact that the just compensation to be paid by City of San Fernando to San Fernando Mission Land Company for such of said company's property and rights, as said property and rights are described in Exhibit No. 2, which is attached hereto and made a part hereof

is the sum of \$16,500.

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 26th day of April, 1917.

Max Thelen

H. J. Loveland

Alex G. Jones

Edwin C. Edgerton

Frank R. Devlin

EXHIBIT NO. 1.

PROPERTY OF CONSOLIDATED SECURITIES COMPANY.

All rights of way, easements and licenses owned, occupied held or used by the Consolidated Securities Company, a corporation, duly organized and existing under the laws of the State of California, in connection with the pipe lines and the water distributing system of said company, used by it in supplying water for domestic and irrigation purposes to the City of San Fernando and its inhabitants, and including the right belonging to said Consolidated Securities Company granted to it by mesne conveyances arising from the reservation contained in deeds heretofore made by the Trustees of Charles MacLay, the original subdivider of the lands of the MacLay Rancho to their various grantees, in all the lands of said rancho, except Blocks Numbers 192 and 228, lying in the City of San Fernando, said reservations being expressed in said deeds in substantially the following language:

"Reserving to said first parties, 1st, the right to lay water pipes across said land, the same to be at least two (2) feet below the surface; 2nd, reserving all and any artesian water that may at any time be developed upon the said land and not used thereon."

And also including the privilege and franchise of distributing water to said City of San Fernando and its inhabitants heretofore exercised by said Consolidated Securities Company, and also the franchise of said company to occupy and use the streets, alleys and public places within the City of San Fernando for the purpose of distributing such water.

Also the pipes, meters, services and fittings constituting the distributing system of said Consolidated Securities Company, within the city limits of San Fernando as follows, to-wit:

14"	Riveted Steel	#14	drive pipe	2120	feet
6"	"	"	#16	"	"
5"	"	"	#16	"	"
4"	"	"	#16	"	"
				16302	"
				4086	"
				20121	"

2"	S.S. Black pipe	20375	feet
1 1/2"	" " "	300	"
1 1/4"	" " "	450	"
1"	" " "	230	"
8"	Low pressure cement pipe	650	"
4"	M. B. Redwood pipe	990	"
8"	O. D. Casing, dipped	120	"
5"	" " "	200	"
4"	" " "	828	"
318	3/4" Service connections		
5	1 1/2" " "		
7	2" " "		
306	5/8" x 3/4" meters		
5	1 1/2" " "		
7	2" Meters		
38	2" Gate Valves		
33	4" " "		
14	6" " "		
2	8" " "		



EXHIBIT NO. 2.

PROPERTY OF SAN FERNANDO MISSION LAND COMPANY.

All rights of way, easements and licenses owned, occupied, held or used by the San Fernando Mission Land Company in connection with the pipe lines and the water distributing system of said company used for furnishing and distributing water to the City of San Fernando and its inhabitants, and also that certain pipe line nine and five eights (9-5/8") inches in diameter running about sixteen hundred (1600') feet northwesterly beyond the city limits of the City of San Fernando to certain wells now and heretofore used by said San Fernando Mission Land Company in supplying water to that portion of its said water system within the City of San Fernando, and also the right of way for said pipe line belonging to said San Fernando Mission Land Company, extending northwesterly from the city limits of said City of San Fernando to said wells above mentioned belonging to said company, which said right of way is more particularly described in that certain deed thereof recorded in Book 6360, Page 99 of Deeds, Los Angeles County Records, reference to which is hereby made, together with the privilege and franchise of distributing water to said City of San Fernando and its inhabitants heretofore exercised by said San Fernando Mission Land Company, and also the franchise of said company to occupy and use the streets, alleys and public places within the City of San Fernando for the purpose of distributing such water.

Also the pipes, meters, services and fittings constituting the distributing system of said San Fernando Mission Land Company, within the city limits of San Fernando, as follows, to-wit:

10"	O. D. Casing dipped	1290 feet
8"	" " "	4030 "
6"	" " "	4820 "
5"	" " "	2500 "
4"	" " "	7530 "
8"	Riveted Steel #14 Drive Pipe	1700 "

6"	Riveted Steel #16 Drive Pipe	2240 feet
4"	" " " #16 " "	11650 "
2"	W. I. Black Pipe	440 "
416	$\frac{3}{4}$ " Service Connections	
9	$\frac{5}{8}$ " x $\frac{3}{4}$ " Meters	
1	1" Meter	
2	10" Gate Valves	
6	8" " "	
20	6" " "	
6	5" " "	
10	4" " "	