

ORIGINAL

Decision No. 5115

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application of )  
 El Segundo Land and Improvement )  
 Company, a corporation, and El Segundo )  
 Water Company, a corporation, for ) Application No. 4004  
 permission to sell certain property )  
 and to issue stock in payment therefor. )

-----oOo-----

Robert M. Clarke,  
for Applicants.

COMMISSIONER LOVELAND:

O P I N I O N

The El Segundo Land and Improvement Company is described herein in this proceeding as being engaged in the business of buying and selling real property particularly in the City of El Segundo, Los Angeles County, and in furnishing water for domestic, irrigation and other uses at that place. The El Segundo Water Company has been incorporated by those in control of the El Segundo Land and Improvement Company with the intention that it should become the owner of the water system at El Segundo and that the stock of the latter corporation to be issued will be accepted by the El Segundo Land and Improvement Company in payment for the water system, excepting three shares of stock as have been issued for the qualification of directors. Application is for the issuance of nine hundred shares of capital stock of the Water Company of a par value of \$100.00 each, or such other amount of said capital stock as in the opinion of the Commission may be a sufficient consideration.

The evidence presented by applicants as to value of the property to be transferred includes the original cost of the follow-

ing items:

	Cost	<u>Present Value</u>
Reservoir - - - - -	\$12,764.	\$ 6,684.
Pipe Lines - - - - -	29,252.	41,833.
Main Pump Plant - - -	4,626.	2,510.
Reservoir pump plant-	8,791.	6,418.
Buildings and Automobiles	2,247.	1,564.
Stock and Supplies - -	<u>2,046.</u>	<u>2,701.</u>
	\$59,726.	\$61,710.

Applicants do not have original cost of the following items making up the remainder of the plant and state that the original cost of a portion of the pipe lines is an estimate.

	<u>Present Value</u>
Lands - - - - -	\$11,000.
329 Meters and Services	4,888.
51 Hydrants - - - - -	<u>608.</u>
	\$16,496.

The indicated total present value is - - \$78,206.

There was attached to the application of the Company an engineering estimate of the cost and cost depreciated of this property including estimated over head and going value divided into organization expense and interest during construction. This indicated a total estimated reproduction cost of \$115,638, and cost depreciated \$90,000. The El Segundo Land and Improvement Company acquired part of the water system through purchase of stock of the Arena Water Company. This purchase and subsequent additions were made primarily for the purpose of making water available for use on lots offered for sale by applicant. The value of real estate carried as a part of the water system is approximately \$4,000. above that indicated by the raise of prices set forth on Exhibit No. 2, a copy of the Company's Terms of Sales published June 1st, 1916, and the cost as a part of the general purchase price is not over \$1200.

I doubt the propriety of giving consideration in any such proceeding as this to the greatly increased cost of materials and labor due to present war conditions, particularly when the property was built before such conditions became effective. The operations of the Company for the year 1916 show an earning of \$390. and for 1917 \$299. There is probability that an adjustment of the rate

schedule will result in greater returns to the company, but even should the gross income of the company's water plant be doubled and the operating expenses remain the same as in 1917, the net return would amount only to \$3,991.63. Moreover, applicant's Exhibit Number 1, a map on which is shown the water system, indicates that a considerable portion of the distributing system is unnecessary in serving the present consumers.

Taking into consideration the original cost of the water system, the depreciation, the actual and possible earnings, I am unable to recommend the issue of more than \$50,000 of stock by El Segundo Water Company for the purpose of acquiring the water plant of the El Segundo Land and Improvement Company referred to herein.

I herewith submit the following form of Order.

O R D E R.

EL SEGUNDO LAND AND IMPROVEMENT COMPANY having made application to sell and EL SEGUNDO WATER COMPANY to purchase the water plant and system described herein, and the latter company having asked authority to issue stock in payment therefor; a public hearing having been held and the Commission being of the opinion that the money, property or labor to be procured or paid for by the issue of stock herein authorized is reasonably required for the purpose specified in the order and that the expenditures for such purpose are not in whole or in part reasonably chargeable to operating expenses or to income;

IT IS HEREBY ORDERED that EL SEGUNDO LAND AND IMPROVEMENT COMPANY be, and it is hereby, granted authority to sell to EL SEGUNDO WATER COMPANY the properties described in

Exhibit "I" attached hereto.

IT IS HEREBY FURTHER ORDERED that EL SEGUNDO WATER COMPANY be, and it is hereby, granted authority to issue at par \$50,000 par value of its common capital stock for the purpose of acquiring the properties described in Exhibit "I" attached hereto, upon the following conditions and not otherwise:

- (1).-- The consideration at which the public utility properties are herein authorized to be transferred shall not be considered as a measure of value of said properties before this Commission, or any other public body, for rate-fixing or any other purpose except the transfer of said properties as herein authorized.
- (2).-- Within thirty (30) days after the execution by the petitioners herein of an instrument of conveyance transferring the properties herein referred to, a certified copy of said instrument of conveyance shall be filed with the Railroad Commission by the El Segundo Water Company.
- (3).-- El Segundo Water Company shall keep separate, true and accurate account of the issue of the stock herein authorized and within thirty (30) days after the transfer of the properties shall file with the Railroad Commission a report in accordance with the Railroad Commission's General Order Number 24, which order, in so far as applicable, is made a part of this order.

(4).-- The authority herein granted to transfer property and issue stock shall apply only to such property as may be transferred and to such stock as may be issued on or before December 27, 1918.

The foregoing Opinion and Order are hereby approved and ordered filed as the Opinion and Order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 18<sup>th</sup> day of September, 1918.

Edwin O. Edgerton  
H. H. ...  
Alex. Gordon  
Frank R. Delevin

Commissioners.

EXHIBIT I.

In Exhibits "D" and "E" attached to the petition in Application Number 4004, the property to be sold and transferred to EL SEGUNDO WATER COMPANY by EL SEGUNDO LAND AND IMPROVEMENT COMPANY is described as follows:

1. That portion of Lot Three (3), in Block Ninety-five (95), of the Townsite of El Segundo, as per map thereof recorded in the office of the County Recorder of Los Angeles County, and more particularly described as follows, to-wit:

Commencing at the northeast corner of said lot, thence westerly along the northerly line of said lot 38 feet; thence southerly parallel to the easterly line of said lot 65 feet; thence easterly parallel with the northerly line of said lot to the easterly line of said lot 38 feet; thence northerly along the easterly line of said lot 65 feet; to the point of beginning, including the pumping plant on said property located

2. All of the pipe lines laid through, over, across or upon the following described property, to-wit:

From the well or pumping plant located on Lot Three (3), in Block Ninety-five (95), of the Townsite of El Segundo above mentioned, to Maple Avenue; thence easterly along Maple Avenue to Main Street; thence from the intersection of Maple Avenue and Main Street northerly along Main Street to a point on a production of the east and west line dividing Blocks 104 and 105 of said Land Company's tract, and also from the intersection of Maple Avenue and Main Street southerly to its intersection with the prolongation of the east and west line dividing Blocks 94 and 95 of said tract; and also commencing at a point in the westerly line of Block 106 of said tract at its intersection with the east and west line dividing said block; thence easterly and across Blocks 106, 105, 104, 103 and 102, and the intervening streets upon a line parallel with Belleview Avenue to the intersection of said line with the westerly lines of Lots 1 and 8 in said Block 102;

And commencing also at a point in the westerly line of Block 97 of said tract at its intersection with the east and west line dividing said block; thence easterly and across Blocks 97, 98, 99, 100 and 101 and the intervening streets upon a line parallel with Belleview Avenue to the intersection of said line with the westerly lines of Lots 1 and 8 in said Block 101.

And commencing at a corner common to Lots 5, 6, 7 and 8 in Block 96 of said tract; thence easterly on a line parallel with Maple Avenue through Blocks 96, 95, 94, 93 and 92 and across the intervening streets to the easterly line of said Block 92;

" And commencing also at a point on Sheldon Street at the intersection of said street with the line last above mentioned, thence southerly along Sheldon Street to Mariposa Avenue, thence easterly along Mariposa Avenue to a point opposite the center of Lot 9 in Block 9C, Sheet 6, El Segundo, thence northerly to a tank located upon said Lot 9;

TOGETHER with all rights of way and easements with said pipe lines connected or in anywise thereunto appertaining.

LOTS three (3), Four (4) and Five (5), Block Thirty-four (34), Sheet 7, El Segundo, in the county of Los Angeles, state of California, as per map recorded in the office of the County Recorder of the County of Los Angeles, state of California, in Book 22, Pages 54 and 55 of Maps.

LOTS Twenty-one (21), Twenty-two (22), and Twenty-three (23), Block Ten (10), El Segundo, in the county of Los Angeles, state of California, as per map recorded in the office of the County Recorder of the County of Los Angeles, state of California, in Book 18, Page 69 of Maps."

"91430 length feet of pipe fittings as follows:

3470	ft.	10"	O.D.C.	1911
1400	"	8"	"	13-16
1800	"	6"	"	1911
7000	"	4"	"	1911
1000	"	4"	"	1915
1350	"	4"	"	1916
3875	"	6"	RS-#16	1912
9875	"	4"	"	1912
16475	"	4"	"	13-16
2075	"	4"	"	1917
15410	"	2"	S.S.	1911
24275	"	2"	"	12-16
2325	"	2"	"	1917
1100	"	1"	"	1911

329 meters and services;

51 hydrants;

Pipe on hand other than that above described;

Fittings;

Meter parts and supplies;

Tools and miscellaneous equipment;

1 Ford automobile;

All of the boilers, engines, pumps, fittings, and pipes situated at the main pumping plant, and also all boilers, engines, pumps, fittings, and other articles situated at the reservoir plant.

"All other equipment of any kind and nature heretofore used by said El Segundo Land & Improvement Company and Arena Water Company, a mutual water company, in furnishing and supplying water to the inhabitants and residents of the city of El Segundo, in the county of Los Angeles, state of California, all of said property being more particularly described in that certain inventory and appraisal thereof made by F.E. Trask, C.E., now on file with the said El Segundo Land & Improvement Company."