

Decision No. 33761

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application for  
 an Order Authorizing HELENE W. FILES,  
 E. T. WADLEY and PEARLE W. HARDING, Co-  
 partners doing business as MANCHESTER  
 HEIGHTS WATER COMPANY, of Los Angeles,  
 to sell, and SOUTHERN CALIFORNIA WATER  
 COMPANY, a California corporation, to  
 buy the Water Utility Property Known as  
 MANCHESTER HEIGHTS WATER COMPANY, ex-  
 cepting that portion thereof situate  
 in the City of Los Angeles, and to fix  
 rates for water service in said area.

ORIGINAL

Application No. 23682

Paul Overton, Attorney for Southern California  
Water Company, Applicant.

Thomas S. Bunn, Attorney for Manchester Heights  
Water Company, Applicant.

CRAEMER, COMMISSIONER.

O P I N I O N

In this proceeding, Helene W. Files, E. T. Wadley and  
 Pearle W. Harding, doing business as a copartnership, under the fic-  
 titious firm name of Manchester Heights Water Company, ask permission  
 to sell and Southern California Water Company, a corporation, asks  
 for authority to buy the public utility water system serving consum-  
 ers in Manchester Heights Subdivision, situated adjacent to but out-  
 side the Los Angeles city limits in Los Angeles County. Southern  
 California Water Company asks that it be authorized to charge on  
 the said Manchester Heights area the schedule of rates now in effect  
 on its near-by Normandie Avenue System.

A public hearing in this matter was held at Los Angeles.

According to the evidence, Manchester Heights Subdivision,  
 comprising 120 acres, was placed on the market by Grider-Hamilton-

Oswald Company, which installed a water system about 1908 and 1909. In October, 1911, W. G. Wadley and Emily D. Wadley purchased the waterworks. Thereafter Mr. Wadley acquired the water plant serving the Dolan Tract, No. 6440, Los Angeles County, lying westerly of Normandie Avenue and adjacent to Manchester Heights. Title to both said plants was acquired by the present owners through inheritance. The Bureau of Water and Power of the City of Los Angeles now serves all but 47 consumers in the Dolan Tract, the waterworks therein not being involved in this proceeding.

The water system serving Manchester Heights Subdivision includes a 12-inch well 463 feet deep, a turbine pump, two booster plants, and about 20,000 feet of mains ranging from 4 to 6 inches in diameter, and storage tanks together with purification equipment for algae control and chlorination. There are 205 flat rate consumers and one user served through a meter. The principal use of water is for domestic purposes. Howard County Fire Protection District, under agreement, receives water for 21 fire hydrants which said district owns and maintains. Vermont Avenue Sewer Maintenance District is served through ten sewer flushing connections.

John B. Harding testified, on behalf of the owners and operators of Manchester Heights Water Company, to the effect that considerable and extensive improvements are immediately necessary to continue adequate service, the cost of which rehabilitation the owners are not able to finance, for which reasons all said owners desire to sell the water properties as herein requested.

Southern California Water Company is a public utility corporation engaged in the production and distribution of water for domestic and other purposes in numerous areas in Los Angeles County and elsewhere in the State of California. Under date of August 5, 1940, it entered into a written agreement to purchase all of the

water utility properties and appurtenant rights of Manchester Heights Water Company in the County of Los Angeles outside of the Los Angeles city limits, said service area being described as:

Grider-Hamilton-Oswald Company's Manchester Heights Subdivision, official records of Los Angeles County, and being bounded on the north by Manchester Avenue; on the east by Vermont Avenue and Budlong Street; on the south by 89th Street from Vermont Avenue to Budlong Street; and 92nd Street from Budlong Street to Normandie Avenue; and on the west by Normandie Avenue.

The territory now served by said Manchester Heights Water Company in the said Dolan Tract is excepted from the instant transaction and will become the subject of disposition through separate Application No. 23820, filed with this Commission on November 19, 1940.

C. P. Harnish, Executive Vice President and Chief Engineer of Southern California Water Company, testified that necessary improvements to the existing distribution system and the additional installation of certain other facilities would be made at an estimated cost of \$52,848. This estimate includes the cost of such improvements as may be required to operate the Manchester Heights Plant and his Company's adjacent Normandie system as an integral unit. Operative fixed capital in the two systems when combined would then total \$191,646, allowance therein having been provided for retirements of facilities replaced and modernized. Mr. Harnish stated that the Manchester Heights consumers will receive a vastly improved quality of water, more potable and palatable through the elimination of the existing unpleasant odor and taste arising from the presence of natural sulphur in the tract well. The most important and outstanding benefits, however, will come through the increased working pressure which the Southern California Water Company will be able to maintain at all times and the protection of greater standby water production and storage capacities.

Mr. H. P. Anderson, Vice President of Southern California Water Company, testified in general that operation in the Manchester Heights area under the Normandie system rate schedule would result in direct savings to many consumers and to some extent increased charges to others, depending upon large volume delivery. Mr. Anderson stated that the installation of the new mains and pipelines, including the removal of service connections from alleys and easements into the streets would be made solely at his Company's expense and at no cost to those consumers receiving service from that part of the system replaced by the new installation.

A report submitted at the hearing by E. L. Clark, one of the Commission's engineers, shows that the established rate schedule of Manchester Heights Water Company includes both flat and metered rates, the minimum monthly charge for a 5/8 x 3/4-inch meter being \$1.20, which is also the monthly flat rate per house. Normandie system has no flat rates and the minimum monthly charge for a 5/8 x 3/4-inch meter is \$1.25. The cost to the consumer for 1,000 cubic feet of water per month would be identical under either metered rate schedule. Manchester Heights users of quantities in excess of 1,000 cubic feet per month will experience slightly increased charges under the Normandie rates. However, the fact that the present 805 flat rate billings will be reduced to 591 metered accounts results in a substantial reduction in the total estimated annual revenues to be derived from the monthly minimum charges. There was no objection on the part of the consumers concerning the rate question, in view of the manifest advantages they all will receive in assured standard water service and fire protection.

Mr. Clark's report sets forth that the estimated original cost of Manchester Heights system as of November 1, 1940, is \$34,724. A retirement of \$18,609 would occur as a result of installation of the proposed improvements. Total operative fixed capital, including pro-

posed improvements of \$52,848, will then approximate \$69,000. The corresponding depreciation annuity by the sinking fund method at 5 per cent is \$715. The operative fixed capital in Normandie Avenue system, as of December 31, 1939, is \$112,700. Operating expense less depreciation for the year 1939 averaged \$11.41 per service connection on Normandie system and \$15.73 on Manchester Heights System. The estimated results of operation under Southern California Water Company management are summarized in the following tabulation:

ESTIMATED RESULTS OF OPERATION

	<u>Manchester Heights System</u>	<u>Normandie Avenue System</u>	<u>Combined System</u>
<u>Operating Revenues</u>			
Commercial Earnings	\$11,471	\$ 18,965	\$ 30,436
Municipal Earnings	432	1,044	1,476
Total Revenues	<u>\$11,903</u>	<u>\$ 20,009</u>	<u>\$ 31,912</u>
<u>Operating Expenses</u>			
Expenses less Depreciation	\$ 6,743	\$ 11,152	\$ 17,895
Depreciation Annuity	715	1,345	2,060
Total Expenses	<u>\$ 7,458</u>	<u>\$ 12,497</u>	<u>\$ 19,955</u>
Net Operating Revenues	\$ 4,445	\$ 7,512	\$ 11,957
Operative Fixed Capital	\$68,963	\$112,700	\$181,663
1330' of 10" Cast Iron Pipe and Appurtenances	<u>-</u>	<u>-</u>	<u>3,752</u>
Total Operative Fixed Capital	\$68,963	\$112,700	\$185,415
Rate of Return	6.45%	6.66%	6.44%

No protests were made against the transfer of the properties nor operation under the plans and procedure proposed by the purchaser. It therefore appears to the best interests of the public at this time that the application be granted.

O R D E R

Application as entitled above having been filed with this Commission, a public hearing having been held thereon, the matter having been duly submitted, and the Commission being now fully advised

in the premises,

IT IS HEREBY ORDERED that Helene W. Files, E. T. Wadley and Pearle W. Harding, copartners, doing business under the fictitious firm name and style of Manchester Heights Water Company, be and they are hereby authorized to transfer to Southern California Water Company, a corporation, all their right, title and interest in and to the water utility properties and appurtenant rights owned and operated by them in supplying water in Manchester Heights Subdivision, Los Angeles County, which properties and rights are more particularly described in the proposed indenture entitled "Deed, Assignment and Bill of Sale," a copy of which is attached to the application herein as "Exhibit D," and which document is hereby made a part of this Order by reference, said transfer being subject, however, to the following terms and conditions:

1. The authority herein granted shall apply only to such transfer as shall have been made on or before the first day of February, 1941, and a certified copy of the final instrument or instruments of conveyance shall be filed with this Commission by Helene W. Files, E. T. Wadley and Pearle W. Harding, copartners, within thirty (30) days from the date upon which said instrument or instruments are executed.
2. Within ten (10) days after the date on which Helene W. Files, E. T. Wadley and Pearle W. Harding, copartners, actually relinquish control and possession of the property herein authorized to be transferred, they shall file with this Commission a certified statement indicating the date upon which such control and possession were relinquished.
3. On or before the first day of February, 1941, Helene W. Files, E. T. Wadley and Pearle W. Harding, copartners, operating under the fictitious firm name of Manchester Heights Water Company, shall refund to such consumers as may be entitled thereto, all amounts, if any, deposited for main extensions, meter or service connection, for guarantee of payment of bills, and/or any other purposes, and not later than said date they shall file with this Commission a certified statement to the effect that all such refunds, if any, have been duly made.

IT IS HEREBY FURTHER ORDERED that, upon due compliance with the terms and conditions set forth above, Helene W. Files, H. T. Wadley and Pearle W. Harding, copartners, doing business under the fictitious firm name of Manchester Heights Water Company, be and they are individually and collectively hereby relieved of all further public utility obligations and liabilities in connection with the properties herein authorized to be transferred.

IT IS HEREBY FURTHER ORDERED as follows:

1. Southern California Water Company, a public utility corporation, be and it is hereby authorized and directed to place in effect throughout the territory to be acquired in accordance with the authority granted herein, its existing rates now effective in its Normandie Avenue system, for all water service supplied within said territory on and after the first day of January, 1941, and within thirty (30) days from the date of this Order, said corporation shall refile, in quadruplicate, with this Commission its existing Normandie Avenue system rates, rules and regulations, together with the necessary amendments to cover service within said Manchester Heights water system area, each set of which rules and regulations shall contain a suitable map or sketch, drawn to an indicated scale upon a sheet approximately  $8\frac{1}{2}$  x 11 inches in size, delineating thereupon in distinctive markings the boundaries of said service area; provided further, however, that such map or sketch shall not thereby be considered by this Commission or any other public body as a final or conclusive determination or establishment of the dedicated area of service, or any portion thereof.
2. Southern California Water Company, a corporation, shall file with this Commission, within sixty (60) days from the date of this Order, four copies of a comprehensive map, drawn to an indicated scale of not less than 600 feet to the inch, upon which shall be delineated correctly by appropriate markings the location of the principal properties comprising the water system. This map should be reasonably accurate, show the date and source thereof and contain sufficient data to determine clearly and definitely the locations of the various properties comprising the entire area of service.

IT IS HEREBY FURTHER ORDERED that Southern California Water Company, a corporation, be and it is hereby authorized to make such installations as may be necessary and proper to interconnect the water system herein authorized to be transferred with said Water Company's Normandie Avenue Plant and System.

IT IS HEREBY FURTHER ORDERED that the consideration for the transfer herein authorized shall not be urged before this Commission, or any other public body, as a finding of value for rate-fixing or any purpose other than the transfer herein authorized.

The authority herein granted shall become effective on the date hereof.

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 21<sup>st</sup> day of December, 1940.

Ray & Riley  
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Justice J. Coe  
COMMISSIONERS.