

LBM

Decision No. 21174.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
H. G. CHAFFEE WAREHOUSE COMPANY,)
a corporation, of Los Angeles, Cali-)
fornia, for approval of real estate)
mortgage on warehouse property.)

ORIGINAL

Application No. 15549

F. E. Chaffee, for applicant.

BY THE COMMISSION:

O P I N I O N

In this proceeding the Railroad Commission is asked to approve the issue of a \$66,500.00 three year six percent note, dated March 21, 1928 and the execution of a mortgage on public utility warehouse properties to secure the payment of such note.

It is of record that the H. G. Chaffee Warehouse Company is engaged in a general public utility warehouse business at #912 E. Third Street, Los Angeles, and that it was so engaged on March 21, 1928. The company's business is conducted in a reinforced concrete building having floor space of about 63,000 square feet. In addition to conducting public utility warehouse business the company is also engaged in non-public utility business.

The company for 1927 and 1928 reports its revenues and expenses as follows:-

I T E M	1927	1928
Operating revenues	\$20,069.74	\$37,101.90
Nonoperating revenues	19,637.46	15,624.90
Total.....	\$39,707.20	\$52,726.80
Operating expenses	26,244.62	38,430.80
Balance	\$13,462.58	\$14,296.00
Depreciation	5,782.68	4,392.08
Net	\$ 7,679.90	\$ 9,903.92

The testimony shows that on March 21, 1928 the company through inadvertence and with no intent of evading the provisions of the Public Utilities Act, issued to the Merchants National Trust and Savings Bank a three year note in the sum of \$66,500.00, with interest at the rate of six percent per annum, payable quarterly. On the same date the company executed a mortgage on public utility warehouse properties which are described in detail in applicant's petition and in the mortgage filed in this proceeding.

Sections 51 and 52 of the Public Utilities Act, declare void any note issued for a term of three years and any mortgage executed to secure the payment of such note unless the issue of the note and execution of the mortgage is authorized by the Railroad Commission. In this instance the Commission did not authorize the issue of the note or the execution of the mortgage. It is our opinion that the two instruments are void under the provisions of the Public Utilities Act and that we cannot approve void instruments. We are satisfied, however, that the money secured through the issue of the note and the execution of the mortgage are reasonably required by applicant, and that it is proper for this Commission to authorize applicant to issue a three year six percent note to pay or refund the indebtedness represented by the note referred to in this application and to further authorize applicant to execute a mortgage similar to the mortgage filed in this proceeding to secure the payment of such note.

O R D E R

The H. G. Chaffee Warehouse Company, having asked the Commission to approve the issue of a note and the execution of a mortgage, a public hearing having been held before Examiner Finkhauser and the Commission being of the opinion that it cannot approve the issue of the note and the execution of the mortgage referred to herein, but that it should authorize applicant to issue a note for the sum of \$66,500.00 payable in three years after date, with interest at the rate of six percent per annum, payable quarterly, and to execute a mortgage to secure the payment of such note; that the issue of the note is reasonably required by applicant and that the expenditures herein authorized are not in whole or in part reasonably chargeable to operating expenses or to income, therefore,

IT IS HEREBY ORDERED as follows;-

1. H. G. Chaffee Warehouse Company may issue on or before October 1, 1929, a three year note for the principal sum of \$66,500. with interest at the rate of six percent per annum payable quarterly for the purpose of paying or refunding the \$66,500.00 indebtedness represented by the void note which applicant issued on March 21, 1928, and which is referred to in this proceeding.

2. H. G. Chaffee Warehouse Company may execute on or before October 1, 1929 a mortgage substantially in the same form as the mortgage filed in this proceeding for the purpose of securing the payment of the note which it is herein authorized to issue, provided that the authority herein granted to execute such a mortgage is for the purpose of this proceeding only, and is granted insofar as this Commission has jurisdiction under the terms of the Public Utilities

Act, and is not intended as an approval of said mortgage as to such other legal requirements to which said mortgage may be subject.

3. The authority herein granted will become effective when applicant has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is Sixty-seven (\$67.00) Dollars.

4. Within thirty days after the issue of the note and the execution of the mortgage herein authorized, H. C. Chaffee Warehouse Company shall file with the Commission a copy of the said note and a copy of the said mortgage.

DATED at San Francisco, California, this 31st day of May, 1929.

Thos D Lott
C. Seaman
Edward
Leon Whitell
M. J. Lane
Commissioners.

