

Decision No. 21724 .

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)	
PURITAN ICE COMPANY)	
for an order authorizing the issue of)	Application No. 15984
its unissued first mortgage bonds.)	

Lawrence L. Larrabee, for applicant.

BY THE COMMISSION:

ORIGINAL

O P I N I O N

Puritan Ice Company asks permission to issue and sell at not less than par, \$200,000.00 of its "first closed fee and leasehold sinking fund seven percent gold bonds" due January 1, 1938, and use the proceeds to pay the cost of acquiring additional properties, to which reference will be made hereafter.

Puritan Ice Company is a California corporation engaged in the business of manufacturing and selling ice at wholesale and retail, in the territory west of the San Joaquin Valley lying between San Luis Obispo on the north and Saugus on the south; and in connection with its manufacturing plant at Atascadero, it maintains a cold storage warehouse where it receives goods from the public for storage and stores the same for hire.

The company was incorporated on March 2, 1922. It has an authorized stock issue of \$700,000., divided into \$350,000. par value of common and \$350,000. par value of eight percent cumulative preferred. Its issued and outstanding stock consists of \$265,800. of common and \$148,300. of preferred. All of this stock has been issued under per-

mits obtained from the Commissioner of Corporations.

Applicant has an authorized bond issue of \$500,000. The payment of its bonds is secured by a trust indenture executed to the Farmers and Merchants National Bank of Los Angeles as trustee. The bonds are dated January 1, 1926 and mature January 1, 1938. Applicant reserves the right to redeem all or any part of the bonds issued on any interest payment date, upon the payment of the principal thereof, the interest to the date of redemption and a premium of three percent upon the principal thereof if redeemed on or before January 1, 1928; a premium of two percent upon the principal thereof if redeemed after January 1, 1928 and on or before January 1, 1930; and a premium of one percent upon the principal thereof if redeemed after January 1, 1930 and prior to January 1, 1938. The trust indenture further provides for a sinking fund which is sufficient to redeem all of the bonds on or before their maturity. Heretofore applicant has issued and sold \$300,000.00 of its bonds under authority from the Commissioner of Corporations. Of the bonds sold, \$220,500.00, are now outstanding. The \$79,500.00 of bonds which have been redeemed, were redeemed at prices ranging from 90 to 98-1/2.

As of August 31, 1929 applicant reports its assets and liabilities as follows:-

<u>A S S E T S</u>		
Lands		\$66,813.93
Buildings, machinery and equipment at cost	\$745,989.61	
Less reserve for depreciation	<u>258,329.16</u>	
Net		487,660.45
Sinking fund		33.40
Investments		67,552.02
Mortgage receivable		18,000.00
Current assets		107,855.45
Deferred charges		<u>46,534.24</u>
Total assets		<u>\$794,449.49</u>
<u>L I A B I L I T I E S</u>		
Capital stock outstanding		\$414,100.00
Common	\$265,800.00	
Preferred	<u>148,300.00</u>	
Bonds outstanding		220,500.00
Purchase money obligations		36,265.05
Notes payable		36,000.00
Accounts payable and reserves for accrued expenses		43,833.55
Revenue surplus		<u>43,750.89</u>
Total liabilities		<u>\$794,449.49</u>

It is of record that applicant owns, maintains and operates at Santa Barbara an ice plant which has a daily capacity of about 125 tons. The cost of this plant is reported at \$273,105.05. Applicant's principal business at Santa Barbara is the icing of refrigerator cars under contract with Pacific Fruit Express Company. It does, however, also engage at that place in the retail distribution of ice but not in any cold storage business. At Guadalupe applicant owns, maintains and operates an ice plant of approximately 90 tons daily capacity. At this place it also owns approximately 16 acres of land, together with tracks, and nine vegetable packing houses which are leased to various vegetable shipping concerns. The cost of applicant's plant at Guadalupe is reported at \$294,234.49. Its principal business at Guadalupe is the supplying of ice to vegetable packers and shippers for the icing of vegetables in the bodies of cars and in the crate. It does no cold storage business at Guadalupe. At Atascadero applicant owns, maintains and operates an ice and cold storage plant with an approximate daily ice manufacturing capacity of 30 tons, together with cold storage capacity of about 160,000 cubic feet. Its plant at Atascadero is reported to have cost \$230,382.13. Its principal business at this point is the storage of eggs and fruit, the icing of cars in which eggs and fruit move to the market, under contract with Pacific Fruit Express Company. This plant is also completely equipped with pre-cooling devices for the pre-cooling of fruit in amount of six cars daily. In addition, applicant owns about 15 acres of land at Lompoc which it intends to develop and use as a shipping center with tracks and one packing house. The cost of its properties at Lompoc is reported at \$15,081.87.

The testimony of Paul Dalzell, secretary and treasurer of Puritan Ice Company, shows that the company's plant at Guadalupe is wholly inadequate to meet the demands for ice at that point. To avoid the shipping of ice to Guadalupe and to reduce its operating expenses at that point, applicant has concluded to enlarge immediately its ice manufacturing plant at Guadalupe. Material has been ordered

and contracts entered into for the enlargement of the plant, so as to increase the ice manufacturing capacity of the plant by 150 tons per day. The cost of the improvements is reported at \$119,900. The enlargement of this plant to the extent indicated has actually been undertaken. It further proposes to construct an ice plant at Lompoc of approximately 50 tons daily capacity, together with other improvements at a cost of between \$50,000. and \$60,000. and to increase further its plant and facilities at Guadalupe at a cost of about \$125,000. Applicant, however, submitted no detailed estimates of its cost of constructing a plant at Lompoc or of installing and constructing a second addition to its plant at Guadalupe. While the order herein will permit the issue and sale of \$200,000. of bonds, it will provide that \$80,000. of said proceeds may not be expended except for such purposes as the Commission will hereafter authorize.

It appears that Santa Maria Gas Company has agreed to purchase \$72,000. of applicant's bonds on condition that applicant redeem said bonds at the rate of \$2,000. per month. The Gas Company has purchased equipment which applicant needs in the enlargement of its plant at Guadalupe and is otherwise assisting applicant in financing the enlargement of its Guadalupe plant.

Applicant has become a public utility by virtue of the enactment of Section 2-1/2 of the Public Utilities Act, effective August 2, 1927. It is of record that for the year ending August 31, 1929 about 3-1/2 percent of applicant's revenue was derived from public utility business. It further appears from the testimony submitted that none of the proceeds which the company will receive from the issue of the bonds covered by this application will be used for public utility purposes. The trust indenture under which the bonds will be issued was executed at a date prior to the time that applicant became a public utility. While the indenture contains some terms and provisions which this Commission would ordinarily not approve, the \$200,000. of bonds

covered by this application is all that remains unissued. Moreover, the call price of the bonds beginning January 1, 1930 is only 101 and accrued interest, while the market price of the bonds has been below par. Under the circumstances, as presented in this record, we believe that the Commission is warranted in authorizing the applicant to issue the \$200,000. of bonds subject to the provisions of the following order;-

O R D E R

Puritan Ice Company having applied to the Commission for permission to issue and sell \$200,000. of its "first closed fee and leasehold seven percent sinking fund gold bonds" due January 1, 1938, a public hearing having been held before Examiner Fankhauser and the Commission being of the opinion that the money, property or labor to be procured or paid for by the issue of such bonds is reasonably required by applicant, and that the expenditures herein authorized are not in whole or in part reasonably chargeable to operating expense or to income, and that this application should be granted, as herein provided, therefore,

IT IS HEREBY ORDERED as follows;-

1. Puritan Ice Company may, on or before December 31, 1929, issue and deliver at par \$72,000. of its "first closed fee and leasehold seven percent sinking fund gold bonds" due January 1, 1938, to the Santa Maria Gas Company in payment for the indebtedness referred to in this application.
2. Puritan Ice Company may, on or before June 30, 1930, issue and sell at not less than par \$128,000. of its "first closed fee and leasehold seven percent sinking fund gold bonds" due January 1, 1938, and use approximately \$48,000. of said bonds or of the proceeds, to pay in part the cost of enlarging its Guadalupe plant, as indicated in the

agreements filed in this proceeding. The remainder of the proceeds may be expended only for such purposes as the Commission will hereafter authorize.

3. Puritan Ice Company shall keep such record of the issue, sale and delivery of the bonds herein authorized and of the disposition of the proceeds as will enable it to file, on or before the 25th day of each month a verified report, as required by the Railroad Commission's General Order No. 24, which order insofar as applicable, is made a part of this order.

4. 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 Two Hundred (\$200.) Dollars.

DATED at San Francisco, California, this 28th day of October, 1929.

Thos D Lunt
C. S. ...
...
Leon ...
W. J. ...
Commissioners.

Fee # 200 ⁰⁰/₁₀₀
RAILROAD COMMISSION
STATE OF CALIFORNIA
OCT 1 1929
BY [Signature]
SECRETARY
Fee # 2000