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Decision No. 6944

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
SECURITY WAREHOUSE & COLD STORAGE )  
COMPANY, for permission to issue stock. )

Application No. 5155.

Bohnett and Hill by L. D. Bohnett, for applicant.

LOVELAND, Commissioner.

OPINION

Security Warehouse & Cold Storage Company asks permission to issue and sell at not less than par, 3,000 shares (\$300,000.00) of its common capital stock and use the proceeds to acquire real property, described below, construct a warehouse and cold storage building, equip the same and provide itself with necessary working capital.

Applicant was incorporated on or about October 31, 1919, with an authorized capital stock of \$500,000.00, divided into 5,000 shares of the par value of \$100.00 each.

Applicant's articles of incorporation authorize it, among other things, to carry on the business of warehousing and storing for hire in all its branches, act as depositary for hire of goods, wares and merchandise of all kinds, manufacture ice and carry on a general ice and cold storage business in all its branches, either wholesale or retail, receive on consignment, or otherwise, to store, sell or distribute goods on commission or other basis.

Applicant intends to acquire at a cost of \$30,750.00, the following described real property:-

"Lots 3 and 4 in Block 1 in Charles White's Addition in said City of San Jose, as shown on Sherman map of said City, excepting from said Lot 4 a strip of land off the Northerly part of said lot having a frontage of 11 feet, 2 and 1/2 inches on the Westerly line of First Street and a frontage of 9 feet, 3/4 of an inch on the Westerly line of Second Street."

Applicant reports that the title to this real property now stands in the name of J. Q. Patton, as trustee for applicant, and that it was purchased by him on behalf of applicant for the sum of \$30,750.00.

Applicant has filed with the Commission plans of its building prepared by James T. Ludlow, a mechanical and construction engineer. In its petition the estimated cost of the plant, including equipment, is reported at \$200,000.00, which if added to the cost of the land, aggregates \$230,750.00. Except as to the cost of the land, applicant reports that it is not in a position at this time to definitely advise the Commission as to the exact cost of its building or necessary equipment. It appears that Herbert Packing Company, Inc.; Richmond-Chase Company; Pratt-Low Preserving Company; J. F. Pyle & Son and J. C. Ainsley Packing Company will acquire all of applicant's stock, except \$5,000.00 subscribed

by J. Q. Patton, which it will be necessary to issue to build the warehouse and cold storage plant. These firms have agreed to subscribe for the stock in proportion to the maximum number of boxes of fruit which they expect to store with applicant and pay for such stock at par.

Applicant asks permission to issue stock up to \$300,000.00 and use so much of the proceeds as may be needed to pay for the land described above, construct its warehouse and cold storage building, acquire the necessary equipment and provide itself with working capital. Applicant has not furnished the Commission with a detailed statement showing what sum of money it needs for working capital.

Inasmuch as applicant's warehouse is now only in process of construction, I do not believe that it will be handicapped if we assume at this time that the cost of the land, warehouse and equipment will be \$230,750.00 and authorize the expenditure of not more than \$230,750.00 of the proceeds from the sale of the stock to pay for such land, warehouse and equipment. The remaining proceeds should be deposited in a special fund and expended only for such purposes as the Railroad Commission may hereafter authorize. If the cost of the building and equipment will finally exceed the present estimate, such fact may be reported to the Commission, together with a detailed statement showing the amount of money which applicant needs for working capital, and the Commission will thereupon make such order authorizing the expenditure of the moneys deposited in the special fund as it may deem proper.

The record shows that a considerable portion of applicant's proposed expenditures will be for the acquisition of property not used for public utility purposes. It is, however,

urged that a business such as applicant proposes to undertake can be more economically operated by one corporation than by two or more and that it is impractical to organize one corporation to operate the public utility business and another corporation to operate the non-public utility business.

While, under the facts and circumstances, I am inclined to agree with applicant's views, I nevertheless believe that it should file with the Railroad Commission a stipulation duly authorized by its Board of Directors agreeing that it, its successors and assigns, will never ask the Railroad Commission, or other public body having jurisdiction, to include in a rate base, such amount as may be expended for non-public utility property.

I herewith submit the following form of Order:-

O R D E R

SECURITY WAREHOUSE & COLD STORAGE COMPANY having applied to the Railroad Commission for permission to issue stock, a public hearing having been held, and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in this Order, and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

IT IS HEREBY ORDERED that Security Warehouse & Cold Storage Company be, and it is hereby, authorized to issue \$300,000.00 par value of its common capital stock.

The authority herein granted is upon the following conditions and not otherwise:-

1.-The stock herein authorized shall be sold by applicant for cash, for not less than the par value thereof.

2.-Of the proceeds, \$230,750.00, or so much thereof as may be necessary, may be used by applicant to pay for the acquisition of the real property described in the foregoing Opinion, the construction of the warehouse and cold storage building and the acquisition of the necessary equipment, all as referred to in the petition herein and in exhibits filed in connection therewith.

3.-The proceeds from the sale of \$69,250.00 of stock shall be deposited in a special fund and such proceeds, together with any part of the \$230,750.00 not necessary to acquire the land, construct the warehouse, purchase the equipment, referred to in Condition 2 of this Order, shall be expended only for such purposes as the Railroad Commission may hereafter authorize.

4.-The authority herein granted shall not become effective until Security Warehouse & Cold Storage Company has filed with the Railroad Commission a stipulation duly authorized by its Board of Directors declaring that Security Warehouse & Cold Storage Company, its successors and assigns, will never urge the Railroad Commission or other public body having jurisdiction,

to include in a rate base, when called upon to fix applicant's rates, such amount of the proceeds obtained from the sale of the stock as may have been expended for applicant to acquire non-public utility properties or business, and a supplemental order made reciting that such stipulation satisfactory in form has been filed in this proceeding.

5.-Security Warehouse & Cold Storage Company shall keep such record of the issue and sale of the stock herein authorized, and of the disposition of the proceeds as will enable it to file on or before the twenty-fifth day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

6.-The authority herein granted will apply only to such stock as may be issued on or before August 1, 1920.

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 17<sup>th</sup> day of December, 1919.

Edwin O. Edgerly  
H. D. Lovell  
Frank R. Herlin  
H. B. ...  
Dwight Martin  
Commissioners.

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