

Decision No. 28720

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
SECURITY WAREHOUSE & COLD STORAGE
COMPANY, a California corporation,
and Security Warehouse & Cold Storage
Corporation, a California corporation,
to issue and sell one thousand two
hundred fifty shares capital stock
Security Warehouse & Cold Storage Cor-
poration to Security Warehouse & Cold
Storage Company, and to lease by Security
Warehouse & Cold Storage Company, its
public utility properties and facilities
to Security Warehouse & Cold Storage
Corporation.

ORIGINAL

Application No. 19234

BY THE COMMISSION:

O P I N I O N

In this application the Railroad Commission is asked to make its orders (1) authorizing Security Warehouse & Cold Storage Company, hereinafter referred to as the old company, to lease its public utility properties to Security Warehouse & Cold Storage Corporation, hereinafter referred to as the new company, and (2) authorizing the new company to issue \$125,000.00 par value of its common capital stock.

The application shows that the old company is engaged in the ice manufacturing and other non-public utility business and also in the public utility warehouse business for the storage of merchandise and in the cold storage business for the storage of fresh fruits and vegetables in San Jose and Santa Clara. It has reported its public utility revenues and expenses for the years ended December 31, 1931 and 1932, and the ten months ended October 31, 1933, as follows:

<u>Item</u>	<u>1931</u>	<u>1932</u>	<u>1933</u> <u>10 Months</u>
Operating revenues.....	\$279,030.25	\$256,920.35	\$195,058.17
Operating expenses.....	<u>167,962.28</u>	<u>164,834.80</u>	<u>151,698.24</u>
Net operating revenues....	<u>\$111,067.97</u>	<u>\$ 92,085.55</u>	<u>\$ 43,359.93</u>

It appears that the old company desires to separate its public utility operations from its non-public utility operations and to that end has caused the organization of the new company and has entered into an agreement with it to lease to it -

"All of that part of its business now being conducted and operated by it as a public utility, and such part of its plants, machinery, tools, apparatus and equipment as may be necessary and/or useful in the proper operation and conduct thereof, the same being all that part of lessor's business as is being conducted and operated by it under the jurisdiction of the Railroad Commission of the State of California in its premises situated at 350 North First Street, in the City of San Jose, County of Santa Clara, State of California, and on Campbell Avenue, City of Santa Clara, County of Santa Clara, State of California, together with such part of its plants, machinery, tools, apparatus and equipment as may be necessary and/or useful in the proper and lawful conduct and operation by the lessee of the said business, in accordance with the laws, rules and regulations applicable thereto."

The lease will run for a period of one year and thereafter from year to year, unless and until terminated by either party. Under its terms the new company agrees to pay as rental the monthly sum of \$7,000.00 and all property taxes and insurance applicable to the leased property, provided that either the lessee or lessor may at any time demand an adjustment of the rental based upon business conditions then existent. A copy of the lease is filed with the application as Exhibit "C".

Applicants allege that the transaction will result in no curtailment or limitation in the service to the public and no change in the charges for service.

The new company was organized under the laws of the State of California on or about November 23, 1933. It has an authorized

capital stock of \$125,000.00, divided into 1,250 shares of the par value of \$100.00 each, all common.

The application shows that the new company proposes to issue all of its authorized stock to the old company at par in exchange for public utility accounts receivable of \$93,569.73 and cash of \$31,430.27. The company asserts that such an amount of working capital is necessary to conduct the public operations properly, particularly at the present time of the year when fewer goods are offered for storage than are in the fall of the year.

ORDER

Application having been made to the Railroad Commission for an order authorizing Security Warehouse & Cold Storage Company to lease public utility properties and authorizing Security Warehouse & Cold Storage Corporation to issue \$125,000.00 of stock, and the Commission being of the opinion that this is not a matter in which a public hearing is necessary, that the application should be granted only as herein provided, and that the money, property or labor to be procured or paid for through the issue of the stock is reasonably required for the purposes specified herein, which purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED AS FOLLOWS:

1. Security Warehouse & Cold Storage Company and Security Warehouse & Cold Storage Corporation may execute a lease similar in form to that filed with the application herein as Exhibit "C" and Security Warehouse & Cold Storage Company, under the terms and con-

ditions thereof, may lease the properties referred to therein, to Security Warehouse & Cold Storage Corporation.

2. Security Warehouse & Cold Storage Company during the existence of the lease, and the operation of said properties by Security Warehouse & Cold Storage Corporation, is hereby relieved of its public utility duties, obligations and operations, provided that upon the expiration or cancellation of said lease, or of any extensions thereof, Security Warehouse & Cold Storage Company shall resume such public utility duties, obligations and operations under the schedules of rates and charges then in effect.

3. Security Warehouse & Cold Storage Corporation may issue at par to Security Warehouse & Cold Storage Company, on or before June 30, 1934, not exceeding \$125,000.00 of common capital stock for the consideration referred to in the foregoing opinion and to provide working capital.

4. The authority herein granted will become effective upon the filing with the Commission by Security Warehouse & Cold Storage Company of a certified copy of a resolution, duly passed by its Board of Directors, agreeing that, during the existence of the lease, it will make available to the representatives of the Commission upon their request, all books of accounts and records pertaining to the construction, operation and maintenance of the properties covered by said lease.

5. Security Warehouse & Cold Storage Company and Security Warehouse & Cold Storage Corporation shall join in common supplement to the tariffs now on file with the Railroad Commission in the name of Security Warehouse & Cold Storage Company, said Security Warehouse & Cold Storage Company on the one hand withdrawing and said Security

Warehouse & Cold Storage Corporation on the other hand adopting and establishing as its own such tariffs.

6. Security Warehouse & Cold Storage Corporation shall keep such record of the issue of the stock herein authorized as will enable it to file within thirty (30) days thereafter 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.

DATED at San Francisco, California, this 15th day of January, 1934.

C. J. Seavey
L. W. Whitely
A. A. Cunn
M. B. Lewis
W. H. Brown

Commissioners.