

Decision No. 20184

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
LOUIS R. LACKEY )  
for an order authorizing the execution ) Application No. 21617  
of a trust deed. )

BY THE COMMISSION:

ORIGINAL

O P I N I O N

This is an application for an order of the Railroad Commission authorizing Louis R. Lackey, doing business under the firm name and style of Blythe Gas Company, to execute a deed of trust and to issue promissory notes.

By Decision No. 29448, dated January 11, 1937, in Application No. 20824, the Commission granted to Louis R. Lackey a certificate of public convenience and necessity authorizing the installation and operation of a gas plant and distribution system in the City of Blythe, Riverside County. Thereafter, it appears, said Lackey acquired real estate for a plant site, erected three 4,000 gallon welded steel storage tanks with necessary appurtenances, and installed a distribution system of approximately 20,000 feet of three inch, two inch and one-half inch steel pipe and 209 services and 15 metered tanks. The system now installed is said to be adequate to serve five hundred consumers.

A financial statement of applicant filed in the present proceeding shows assets and liabilities as of October 31, 1937 as follows:-

A S S E T S

Fixed capital in service . . . . .	\$ 35,029.63
Cash . . . . .	810.74
Accounts receivable . . . . .	860.81
Materials and supplies . . . . .	<u>2,219.67</u>
Total assets . . . . .	\$ <u>38,920.85</u>

LIABILITIES

Proprietorship . . . . .	\$21,392.26
Notes payable . . . . .	15,969.50
Accounts payable . . . . .	3,006.07
Consumers deposits . . . . .	135.00
Reserves . . . . .	486.91
Surplus (debit balance) . . . . .	<u>2,068.89</u>
Total liabilities	<u>\$38,920.85</u>

To finance in part the cost of the installation and construction, applicant in addition to his own contributions, borrowed certain sums evidenced by notes shown in the foregoing balance sheet in the total amount of \$15,969.50. The application shows, however, that since the date of the balance sheet the indebtedness has been reduced to \$14,423.75 consisting of the following:-

<u>Payee</u>	<u>Date</u>	<u>Maturity</u>	<u>Interest rate</u>	<u>Amount</u>
Citizens Natl Bank-Riverside	4/19/37	6 mos.	5	\$ 2,000.00
Do	5/5/37	6 mos.	5	2,000.00
Do	5/12/37	6 mos.	5	2,000.00
Do	7/6/37	90 days	5	2,000.00
		Sub-total	. . .	<u>8,000.00</u>
Parkhill-Wade	9/1/37	120 days	6	2,000.00
" "	9/1/37	180 days	6	2,000.00
Citizens Natl Tr. & Savings Bank	3/31/37	\$45.75 mo.	-	2,423.75
		Total.....		<u>\$ 14,423.75</u>

Applicant now reports that the development and extension of his business will require an additional sum of \$2,500. for working capital and \$4,000. for equipment and approximately 5,000 feet of distributing lines as follows:-

100 meters	\$1,000.
1 meterprover	300.
1 butane pump	275.
1 metric plant meter	90.
1 low pressure gauge	100.
Installation costs and miscellaneous	235.
5,000 feet of mains	2,000.
Total.....	<u>\$4,000.</u>

The short term notes aggregating \$8,000. payable to Citizens National Bank have been renewed for periods of ninety days. Applicant proposes to replace these notes with one note for \$8,000. payable in

the amount of \$800. on or before May 1, 1940, \$800. on or before May 1, 1941 and the balance on or before November 1, 1942 with interest at the rate of 5% per annum, and to execute a deed of trust to secure the payment of said note and also of additional sums that may be advanced by the said bank, in an amount not to exceed 50% of the fixed capital, for the additional purposes referred to herein. A copy of the deed of trust is attached to the application and marked "Exhibit B".

The notes now outstanding, excluding the indebtedness of \$2,423.75 due Citizens National Trust and Savings Bank which will be referred to later, and the notes which may be issued to provide for the additional property and working capital, amount to \$18,500. The order herein will authorize the issue of notes in the amount of not exceeding \$18,500. payable on or before December 31, 1942, with interest at not exceeding 6% per annum. Under the order herein he may issue short term notes and renew the same from time to time, provided that no renewal note or notes may mature after December 31, 1942.

As to the indebtedness of \$2,423.75 referred to above, it appears that this represents the unpaid balance of an original indebtedness of \$2,744., represented by an unsecured note dated March 31, 1937, which was incurred under the provisions of the Federal Housing Act. The amount is payable in sixty monthly installments of \$45.75. The Commission did not authorize the execution of the long term note for \$2,744. Applicant, however, now includes in his present application a request for an order authorizing and approving such issue. The order herein will authorize the issue of a new note in an amount not exceeding \$2,423.75 in lieu of the note issued without the consent of the Commission.

It will be observed that applicant as of October 31, 1937 reports his investment in fixed capital in service at \$35,029.63.

Sufficient examination has been made at this time to warrant the issue of the proposed order but it should be understood that the Commission is not now passing upon the reasonableness of all the items making up the total reported investment and is not bound because of this order to recognize the \$35,029.63, if such figure becomes an issue in a future proceeding.

ORDER

Louis R. Lackey having applied to the Railroad Commission for authority to execute a deed of trust and to issue notes 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, as herein provided, that the money, property or labor to be procured or paid for through the issue of the notes is reasonably required for the purposes specified herein and that the expenditures for such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income, therefore,

IT IS HEREBY ORDERED that-

1. Louis R. Lackey may execute a deed of trust in or substantially in the same form as that attached to the application herein and marked "Exhibit B", provided that the authority herein given is for the purpose of this proceeding only, and is given only insofar as this Commission has jurisdiction under the terms of the Public Utilities Act and is not intended as an approval of said deed of trust as to such other legal requirements to which it may be subject.

2. Louis R. Lackey may issue his promissory notes in the aggregate amount of not exceeding \$18,500.00 payable on or before December 31, 1942, with interest at not exceeding 6% per annum for the purpose of paying or renewing the notes now outstanding in favor of Citizens National Bank of Riverside and Parkhill-Wade and of financing the cost of additions and extensions and of providing working capital, referred to in the foregoing opinion.

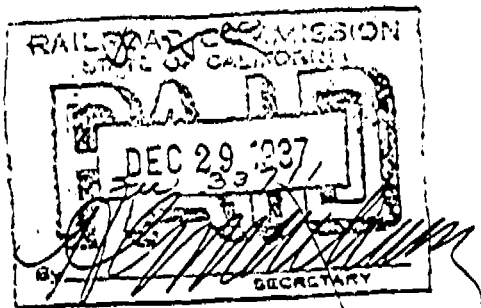
3. If Louis R. Lackey issues a note or notes payable prior to December 31, 1942, he may renew said note or notes, provided that no renewal note or notes may mature subsequent to December 31, 1942.

4. Louis R. Lackey may issue an unsecured note in the principal amount of not exceeding \$2,425.75 payable in monthly installments of \$45.75 in lieu of the note now outstanding in favor of Citizens National Trust and Savings Bank which was issued without the consent of this Commission.

5. Louis R. Lackey shall keep such record of the issue of the notes authorized herein and of the disposition of the proceeds as will enable him 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-A which order insofar as applicable, is made a part of this order.

6. The authority herein granted will become effective when applicant has paid the minimum fee prescribed by Section 57 of the Public Utilities Act, which fee is Twenty-five(\$25.00) Dollars.

DATED at San Francisco, California, this 20<sup>th</sup> day of December, 1937.



Arthur M. ...  
Leon ...  
Frank R. ...  
Harold ...  
W. L. ...  
Commissioners.