

Decision No. 35129

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
COAST COUNTIES WAREHOUSES  
For a permit authorizing it to sell  
and issue a portion of its securities.

Application  
No. 24721

Sprague, McClanahan, Goddard & Hunt,  
by Harold L. McClanahan,  
for Applicant.

BY THE COMMISSION:

O P I N I O N

In this application, as amended by the supplemental petition filed on February 15, Jos. H. Gilliland, William F. Lyte, E. V. Tognazzini, Alphonzo E. Bell and Alphonzo E. Bell as Trustee for Minnewa S. Bell, Minnewa Bell Ross, Alphonzo E. Bell, Jr., Diane Elizabeth Tingle and Ralph Joseph Tingle ask permission to lease their public utility warehouse properties to Coast Counties Warehouses, a California corporation. The Coast Counties Warehouses, a corporation, asks permission to issue and sell to said lessors and Chas. R. Jacobson, \$20,000 par value of its common capital stock and use the proceeds for working capital.

The warehouse properties described in the lease filed in this proceeding as Exhibit "E" were formerly owned by Pacific Coast Railway Company and, except for the one at Arroyo Grande, were transferred to the present owners under the authority granted by Decision No. 34852, dated December 16, 1941, as

amended in Application No. 24577. Two of the warehouses are situate in San Luis Obispo, one at Los Alamos, one at Harris Station, one at Orcutt, two at Santa Maria, two at Nipomo, and one at Arroyo Grande. The latter warehouse is leased from Pacific Coast Railway Company by Alphonzo E. Bell and associates. They are subleasing this warehouse to Coast Counties Warehouses.

The testimony shows that during the latter part of 1940, Alphonzo E. Bell and associates entered into an agreement with Pacific Coast Railway Company to purchase, at a cost of \$80,210, the railway company's properties lying easterly of Mile Post 12 in the City of San Luis Obispo. Subsequently they sold the rails, cars, and locomotives for \$135,000. They arbitrarily allocated \$67,500 of the purchase price to the rail properties, \$4,000 to the warehouses, and \$8,710 to land.

The Pacific Coast Railway Company sold to Port San Luis Transportation Co. its rail and other properties lying westerly of Mile Post 12 in the City of San Luis Obispo. Included in these properties are two warehouses, to which an arbitrary cost of \$1,000 was assigned.

It is of record that Alphonzo E. Bell and associates expended about \$15,550 to improve the warehouses, acquire transportation equipment, machinery, office equipment, and construct a spur track at Santa Maria. They are now engaged in acquiring a fee title to the land on which the warehouses are situate.

Jos. H. Gilliland, Vice President of Coast Counties Warehouses, testified that, for insurance purposes, they had appraisals made of the warehouses and the equipment therein. The cost to reproduce the warehouses and acquire the equipment

is estimated at from \$160,000 to \$200,000, and the cost less depreciation at about \$100,000. He further testified that the land used for warehouse purposes has a value of about \$30,000.

Coast Counties Warehouses is a corporation organized under the laws of the State of California. It has an authorized stock issue of 200,000 shares of the par value of \$1.00 each. The company asks permission to issue at this time \$20,000 of its stock to provide itself with working capital. The company proposes to issue and sell the stock at \$1.00 per share to Chas. R. Jacobson, Jos. E. Gilliland, William F. Lyte, Elton V. Tognazzini, Alphonzo E. Bell, and Alphonzo E. Bell as Trustee for Minnewa S. Bell, Minnewa Bell Ross, Alphonzo E. Bell, Jr., Diane Elizabeth Tingle and Ralph Joseph Tingle. Chas. R. Jacobson, while not having an interest in the ownership of the warehouses, will have a ten per cent stock interest in the corporation.

The lease, (Exhibit "E") is for a term of ten years beginning February 1, 1942, and ending January 31, 1952, unless previously terminated. Coast Counties Warehouses agrees to pay as rent for the properties \$500 per month for the first six months and \$1,000 per month thereafter. The rent is payable monthly. The amount of the rent, according to the record, is approximately equal to the average annual net earnings of the warehouses during the past ten years. Lessee also agrees to maintain the warehouse properties and equipment. The "Right of Cancellation" clause of the lease has been amended to read as follows:

"Both Lessors and Lessee shall have the right and option after the expiration of nine (9) months from the commencement of the term hereof, to cancel this lease, provided that the party so desiring to so cancel shall have first given to the other party ninety (90) days' written notice of such intention to so cancel."

While the order herein will authorize the execution of the lease, such order should not be construed as a finding that the rental and other payments by the lessee are reasonable operating expenses for the purpose of fixing rates. In the event the Commission is called upon to fix the rates of Coast Counties Warehouses it may disregard the lease and proceed on the theory that Coast Counties Warehouses is the owner of the public utility warehouse properties.

#### O R D E R

A public hearing having been held on the above entitled matter before Examiner Fankhauser, and the Commission having considered the evidence submitted at such hearing and it being of the opinion that the money, property or labor to be procured or paid for by Coast Counties Warehouses through the issue of \$20,000 of stock is reasonably required by said Coast Counties Warehouses for the purposes herein stated, and that the expenditures for said purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income, and that this application should be granted as herein provided, therefore,

IT IS HEREBY ORDERED as follows:

1. Jos. H. Gilliland, William F. Lyte, E. V. Tognazzini, Alphonzo E. Bell and Alphonzo E. Bell as Trustee

for Minnewa S. Bell, Minnewa Bell Ross, Alphonzo E. Bell, Jr., Diane Elizabeth Tingle and Ralph Joseph Tingle, lessors, and Coast Counties Warehouses, a corporation, lessee, may, on or before June 30, 1942, execute a lease in substantially the same form as the lease filed in this proceeding as Exhibit "E," provided that said lease is amended to include the warehouse properties of said lessors situate in the City of San Luis Obispo and the "Right of Cancellation" clause referred to in the foregoing opinion, and provided further that the rentals and other payments made by Coast Counties Warehouses, a corporation, under the terms of said lease shall not ipso facto be regarded as reasonable operating expenses for the purpose of fixing rates.

2. Coast Counties Warehouses, a corporation, may on or before December 31, 1942, issue and sell at not less than par, \$20,000 par value of its common capital stock and use the proceeds for the acquisition of properties and the improvement and maintenance of its service.

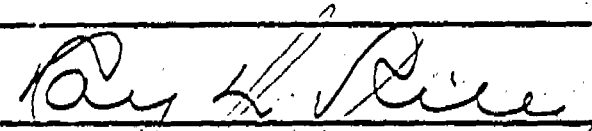



3. Coast Counties Warehouses, a corporation, shall, on or before June 1, 1942, and on not less than five (5) days' notice to the Commission and to the public, unite with Jos. H. Gilliland, William F. Lyte, E. V. Tognazzini, Alphonzo E. Bell and Alphonzo E. Bell as Trustee for Minnewa S. Bell, Minnewa Bell Ross, Alphonzo S. Bell, Jr., Diane Elizabeth Tingle and Ralph Joseph Tingle, doing business under the fictitious name of Coast Counties Warehouses, in a common supplement to the tariffs now on file with the Commission under said fictitious name of Coast Counties Warehouses, said Jos. H. Gilliland, William F. Lyte, E. V. Tognazzini, Alphonzo E. Bell and Alphonzo E. Bell as Trustee for Minnewa S. Bell, Minnewa Bell Ross,

Alphonzo S. Bell, Jr., Diane Elizabeth Tingle and Ralph Joseph Tingle withdrawing and Coast Counties Warehouses, a corporation, adopting and establishing such tariffs as its own.

4. Within thirty (30) days after the execution of said lease, Coast Counties Warehouses, a corporation, shall file with the Commission two copies of said lease and shall also, from time to time, file with the Commission such reports as are required by the Commission's General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

5. The authority herein granted will become effective upon the date hereof.

Dated at San Francisco, California, this 31<sup>st</sup> day of March, 1942.

  
  
  
  
 Commissioners