

reference will be made later. For 1944 applicant reported a net income of \$52,897.64 and for 1943 a net income of \$54,119.58. As of March 31, 1946, applicant reports assets and liabilities as follows:

Assets

Warehouse No. 2 Property	\$ 672,191.99
Addition under Construction	1,029.12
Plant No. 1 - Grand St. Property	359,052.93
Miscellaneous Non-Operative Assets	17,372.32
Cash on hand and in Banks	7,291.65
Notes Receivable	59,064.23
Accounts Receivable	83,422.23
Merchandise - Inventory Value	3,958.11
Material and Supplies	3,174.98
Prepayments	16,396.18
Deferred Debits	58.01
	<u>\$1,223,011.75</u>

Liabilities

Capital Stock	\$ 14,900.00
Long Term Debt	682,968.19
Accounts Payable - Bills	19,058.11
Accrual Liabilities	29,350.69
Depreciation Reserve	236,460.43
Amortization Reserve	211,562.26*
Earned Surplus	28,712.07
	<u>\$1,223,011.75</u>

*Accelerated depreciation claimed for income tax purposes at end of war. Thirty-five percent of cost of building constructed in 1945, exclusive of cost of movable equipment.

Applicant's frozen food locker business and much of its other nonutility business is conducted at its plant located at 220 Grand Street, Modesto. During 1945 applicant constructed a new cold storage plant on property located on the Waterford Road about a mile east of the city limits of Modesto. This plant was completed in July 1945. It is equipped with all necessary refrigeration machinery and facilities required in cold storage and quick freezing operations. The new building has twelve rooms, all of which can be used for cold storage purposes. Each room is about 47' by 69' with a height of approximately 15'. The aggregate storage capacity is

reported at 539,000 cubic feet. The cost of the plant constructed in 1945 is reported as follows:

Land	\$ 7,242.95
Structures Warehouse	349,702.53
Engine Room	18,163.00
Office Building	12,466.56
Engine Room Machinery and Equipment	184,713.60
Warehouse Machinery and Equipment	53,189.41
Warehouse Handling Equipment	13,783.02
Automotive Equipment	20,055.72
Office Furniture, Fixtures and Equipment	3,386.02
	<u>\$662,702.81</u>

For income tax purposes 35% of the cost of the building exclusive of movable equipment was recognized by the United States government as emergency facilities. The company's balance sheet shows that it has credited to its amortization reserve \$211,562.26.

To pay for part of said warehouse properties, applicant borrowed \$562,300 from the Santa Fe Land Improvement Company. At the time applicant, without Commission authority, issued a long-term note to Santa Fe Land Improvement Company. It was not then aware of the provisions of Section 52 of the Public Utilities Act.

Applicant reports that the demands for cold storage, quick freezing and other refrigerating plant facilities exceed the capacity of its plant completed in 1945. It has therefore concluded to construct additional facilities with about the same capacity as those placed in operation in 1945. They will be adjacent to its present warehouse and on land it now owns. The cost of the new plant and equipment, which is now in process of construction, is estimated at \$724,087, segregated as follows:

Warehouse Structure	\$350,000
Engine Room Machinery and Equipment	198,087
Warehouse Machinery and Equipment	87,000
Warehouse Handling Equipment	44,000
Automotive Equipment	45,000
	<u>\$724,087</u>

The cost includes packaging and automotive equipment that will be used in all of applicant's operations.

The Santa Fe Land Improvement Company has agreed to advance to applicant \$600,000 to pay in part the cost of the new plant.

Applicant asks permission to issue to the Santa Fe Land Improvement Company its note for \$1,162,300, which note represents a consolidation of the 1945 and 1946 loans. The principal of the note is payable in annual installments of \$58,115 or more, said annual payments being due on December 31 of each year. Interest at the rate of $4\frac{1}{2}\%$ per annum is payable annually on the same date. The payment of the note will be secured by a deed of trust which will be a lien on the warehouse properties constructed in 1945 and those now in process of construction. A copy of the note and a copy of the deed of trust are on file in this application as Exhibits "B" and "C", respectively. The note will be issued to refund indebtedness now due Santa Fe Land Improvement Company, and to represent the additional loan which the company agreed to make to applicant.

Applicant requests exemption from the order in Decision No. 38614, dated January 15, 1946. It calls attention to the fact that the application involves two separate transactions, neither of which amounts to as much as \$1,000,000: first an advance of \$562,300 made by Santa Fe Land Improvement Company in 1945, to supply funds to be used and which actually were used in the construction of the cold storage plant referred to in the application; and, second a separate and distinct advance of \$600,000 by Santa Fe Land Improvement Company to construct in 1946 an addition to such cold storage plant. It is not contemplated that the Santa Fe Land Improvement Company will negotiate or transfer the note. No one is receiving any remuneration in connection with the note ~~issue.~~

O R D E R

The Commission having considered applicant's request and it being of the opinion that this is not a matter on which a hearing is necessary; that the money, property or labor to be procured or paid for through the issue of a note for \$1,162,300 by Modesto Refrigerating Co. is reasonably required by said company for the purposes herein stated; that 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. Modesto Refrigerating Co. may, after the effective date hereof and on or before August 1, 1946, issue to Santa Fe Land Improvement Company its promissory note for the principal sum of \$1,162,300, together with interest thereon at the rate of $4\frac{1}{2}\%$ per annum, said principal to be paid in annual installments of \$58,115 or more, each, on December 31 of each year commencing with the year 1946, and use the proceeds to refund indebtedness due Santa Fe Land Improvement Company, and to pay in part the cost of the properties to which reference is made in this application, said note to be in, or substantially in, the same form as the note on file in this application as Exhibit "B".

2. Modesto Refrigerating Co. may, after the effective date hereof and on or before August 1, 1946, execute for the purpose of securing the payment of said note, a deed of trust in, or substantially in, the same form as the deed of trust on file in this application as Exhibit "C".

3. The authority herein granted will become effective when Modesto Refrigerating Co. has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is One Thousand Eighty-one

Dollars Fifty Cents (\$1,081.50).

4. Within thirty (30) days after the issue of the note herein authorized, Modesto Refrigerating Co. shall file with the Railroad Commission a true and correct copy of said note and a true and correct copy of said deed of trust, and shall from time to time file with the Commission reports required by the Commission's General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

5. The issue of the note herein authorized is exempted from the provisions of the order in Decision No. 38614, dated January 15, 1946.

Dated at San Francisco, California, this 2nd day of May, 1946.

E. Harold Anderson
Justus J. Green
Frank C. ...
James H. ...
Commissioners

