

ORIGINAL

Decision No. 42655

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
SOUTHERN PACIFIC MILLING COMPANY, a)
California corporation, for an order)
authorizing the issuance of evidences)
of indebtedness and the execution of)
a loan agreement.)
-----)

Application
No. 30853

O P I N I O N

Southern Pacific Milling Company, applicant herein, is a California corporation engaged, among other things, in the public utility warehouse business in various places in California⁽¹⁾ and also in the merchandising of lumber and aggregates. In this application, it seeks permission to execute a loan agreement and to issue notes in the principal amount of \$350,000 for the purpose of paying indebtedness and of financing the cost of improvements.

Applicant's financial statements show that its revenues from its warehouse operations constitute but a small part of its total revenues. For the year ending May 31, 1949, it reported warehouse revenues of \$196,002 and revenues from merchandise and other non-utility operations of \$3,959,821, with net profit for the year of \$4,085. In the present application it reports its net profit from June 1, 1949, to October 31, 1949, at \$67,463.

In Exhibit A, applicant reports its assets and liabilities as of October 31, 1949, as follows:

(1)

Applicant's annual report for the year ending May 31, 1949, showed that it operated warehouses at Salinas, Gonzales, Greenfield, San Ardo, Bradley, San Miguel, Paso Robles, Santa Margarita, Oceano, Guadalupe, Santa Maria, Gates, Lompoc, La Salle, Santa Barbara, El Rio, Oxnard, Camarillo, Somis and Moorpark. Since May 31, 1949, it has been authorized to sell its El Rio and Moorpark warehouses.

Assets

Current assets -		
Cash	\$ 126,141.04	
Notes and accounts receivable	501,416.04	
Accrued storage	45,050.04	
Inventories	<u>578,468.69</u>	
Total current assets		\$1,251,075.81
Fixed assets -		
Land, buildings, equipment	1,517,627.69	
Less: depreciation reserve	<u>865,018.49</u>	
Net fixed assets		652,609.20
Deferred charges		<u>29,433.69</u>
	Total	<u>\$1,933,118.70</u>

Liabilities

Current liabilities -		
Notes payable	\$ 150,000.00	
Accounts payable	136,802.23	
Accrued taxes	49,706.02	
Other current liabilities	<u>32,675.53</u>	
Total current liabilities		\$ 369,183.78
Long-term note		200,000.00
Capital stock		250,600.00
Surplus		<u>1,113,334.92</u>
	Total	<u>\$1,933,118.70</u>

The outstanding current and long-term liabilities include \$250,000 of 4% notes maturing in semi-annual installments of \$50,000 in favor of the Bank of The Manhattan Co., which notes were issued pursuant to authority granted by Decision No. 40508, dated July 8, 1947.

Applicant now desires to refinance its indebtedness and to provide the cost of certain improvements, and to that end desires to enter into a loan agreement with Wells Fargo Bank & Union Trust Co., under the terms of which said bank will loan to it the sum of \$350,000 for the following purposes:

To retire the present long-term notes	\$250,000
To rehabilitate its facilities and other activities largely with reference to its lumber yards and aggregates division	<u>100,000</u>
Total	<u>\$350,000</u>

In connection with the request to use \$100,000 for the purposes indicated above, the Commission is advised that during the current fiscal year the company expended from its working funds approximately \$52,000 for the installation of bulk receiving equipment at Salinas, Gonzales, Greenfield and Santa Maria; that it estimates it will need \$17,000 for additional equipment and improvements at its Lompoc warehouse; and that in addition, it will be called upon to install truck scales and improvements to existing machinery at its Paso Robles and Santa Maria warehouses, together with various improvements to its existing cleaning and automotive equipment. It clearly appears that applicant has need for these additional funds.

The sum to be borrowed will be represented by 14 promissory notes, each in the principal amount of \$25,000 and bearing interest at the rate of 4% per annum, or at a rate equal to the rediscount rate of the San Francisco Federal Reserve Bank plus 2½%, whichever shall be greater, to be determined at the time of each payment of interest. The notes will mature at intervals of six months commencing on June 30, 1950, and ending on December 31, 1956. A copy of the loan agreement has been filed in this proceeding as Exhibit B and a copy of the form of note as Exhibit C.

O R D E R

The Commission having considered the above entitled matter and being of the opinion that a public hearing thereon is not necessary, that the money, property or labor to be procured or paid for through the issue of notes in the aggregate amount of \$350,000 is reasonably required by Southern Pacific Milling Company for the

purposes specified herein and that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,

IT IS HEREBY ORDERED as follows:

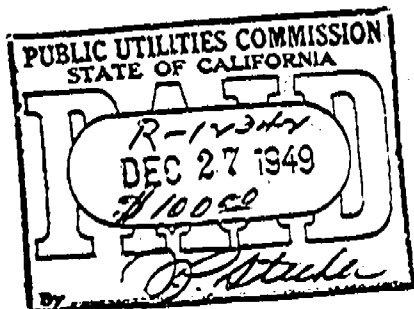
1. Southern Pacific Milling Company, after the effective date hereof and on or before June 30, 1950, may execute a loan agreement in substantially the same form as that filed in this proceeding as Exhibit B, and may issue its promissory notes in the aggregate amount of \$350,000 in substantially the same form as the note filed in this proceeding as Exhibit C.

2. Applicant shall use the proceeds to be received through the issue of its notes to pay outstanding indebtedness of \$250,000 and to finance the cost of improvements and additions to its facilities, to replenish its working capital and to improve and maintain its service, as set forth in this application.

3. Applicant shall file with the Commission a report, or reports, as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

4. The authority herein granted will become effective when Southern Pacific Milling Company has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is one hundred (\$100.00) dollars.

Dated at San Francisco, California, this 27th day of December, 1949.



R. F. [Signature]
Justice J. G. [Signature]
[Signature]
[Signature]
Commissioners