

ORIGINAL

Decision No. 43686

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of

MODESTO REFRIGERATING CO.,  
a corporation,

for authorization to execute note  
secured by existing trust deed affect-  
ing its public utility property.

Application  
No. 30892

O P I N I O N

In this application, Modesto Refrigerating Co. requests authority to issue a note in the principal amount of \$300,000, in favor of Santa Fe Land Improvement Company, for the purpose of financing in part the cost of certain real property and of additional cold storage facilities. The payment of the note will be secured by a presently outstanding deed of trust dated May 6, 1946 executed under authority granted by the Commission by Decision No. 38914, dated May 2, 1946, in Application No. 27461.

Applicant is a California corporation organized during 1926. It reports that since its organization it has been engaged in operating a cold storage warehouse at Modesto in which food commodities consisting of fruits, vegetables, meat and meat products, poultry, eggs and dairy products and other produce and food products have been regularly received from the public and stored for compensation. It also has been engaged in an ice manufacturing and selling business, the business of maintaining and renting frozen food lockers and of rendering incidental services, and in the quick freezing of food products. In 1948 it reported cold storage revenues at \$747,483 and other revenues at \$190,566, with net income, after provision for federal taxes, of \$212,659. In 1949,

for the first eleven months, it reports cold storage revenues of \$680,255 and other revenues of \$180,059, with net income, after provision for federal taxes, of \$181,364.

In Exhibit E attached to the application, applicant reports its assets and liabilities as of November 30, 1949 as follows:

<u>Assets</u>		
Current assets-		
Cash	\$213,547.99	
Accounts receivable	192,591.18	
Merchandise	2,440.43	
U.S. bonds	<u>100,000.00</u>	
Total current assets		\$ 508,579.60
Prepaid expenses		16,800.09
Notes receivable		38,342.42
Deferred debits		(22.50)
Fixed assets-		
Total investment	1,879,088.56	
Less: depreciation	<u>697,589.18</u>	
Balance		<u>1,181,499.38</u>
Total		<u>\$1,745,198.99</u>

<u>Liabilities</u>		
Current liabilities-		
Accounts payable	\$ 3,304.20	
Reserve for federal income tax	143,814.87	
Accruals	15,258.51	
Other	<u>6,256.94</u>	
Total current liabilities		\$ 168,634.52
Long-term note		764,840.00
Capital stock		14,900.00
Earned surplus		<u>796,824.47</u>
Total		<u>\$1,745,198.99</u>

During 1945 and 1946 applicant constructed a new cold storage plant, having a capacity of 1,075,998 net cubic feet, on land located in the area known as the Modesto Manufacturing District. Under authority granted by said Decision No. 38914 it issued a note in the principal amount of \$1,162,300 to Santa Fe Land Improvement Company to finance, in part, the cost of such property and executed a deed of trust to secure the payment of said note and of such other additional sums which might be

advanced to it by Santa Fe Land Improvement Company.

In the present proceeding, applicant reports that its facilities are inadequate to care for all the demands made upon it for cold storage services, especially during the summer when cannery fruit is offered for storage and in the fall and winter when grapes and turkeys are offered for storage and for this reason it has been compelled to turn away business. It reports that indications point to a continuance of the present large production of cold storage commodities, and of produce suitable for quick freezing, in the area served by its facilities.

In order to hold the business that it has and to render complete service to its customers, applicant deems that the construction of additional facilities is necessary. Accordingly, it proposes to acquire a parcel of land adjoining its present plant in the Modesto Manufacturing District and to construct thereon a building with appurtenant properties and equipment to constitute additional cold storage facilities for cannery fruit, grapes and frozen foods. The new structure will provide four additional cold storage rooms, each being 60 feet x 101 feet x 13 feet 9 inches, and providing gross refrigerated storage space of 454,500 cubic feet. The cost of the land is reported at \$6,820; the estimated cost of the building, including wiring, refrigerating equipment, roadway and entrances, at \$338,472; and the cost of handling equipment at \$45,421. The three items aggregate \$390,713.

Applicant proposes to finance the estimated costs in part with funds on hand and in part with \$300,000 to be borrowed from Santa Fe Land Improvement Company. Said sum will be represented by a note payable in annual installments of \$15,000 commencing on December 31, 1950, with interest on the unpaid principal at the rate of 4 $\frac{1}{2}$ % per annum. In addition, applicant

proposes to obligate itself by a separate agreement to pay to Santa Fe Land Improvement Company an amount equal to one-third of the net operating profit realized from business to be handled through the additional facilities, less a portion of its federal income tax and state franchise tax allocated to the facilities to be constructed. It has not, however, filed a copy of said separate agreement with the Commission.

The payment of the note, as stated, will be secured by a deed of trust presently outstanding and, in addition, by such other or supplementary document, if any, as may be required to make the land and facilities now proposed to be acquired or constructed subject to the provisions of said deed of trust.

It appears that applicant has need for the additional funds to be obtained through the issue of the proposed note and an order authorizing such issue accordingly will be entered. No authority is herein granted, however, to applicant to execute a supplemental indenture, or the proposed separate agreement to pay additional sums to Santa Fe Land Improvement Company, to which reference has been made. In the event that applicant desires to execute such documents it should file with the Commission a supplemental application, or applications, requesting authority to do so and containing a copy of each of such proposed instruments.

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 application should be granted, as herein provided, that the money, property or labor to be procured or paid for through the issue of said note for \$300,000 is reasonably

required by Modesto Refrigerating Co. for the purpose specified herein and that such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED as follows:

1. Modesto Refrigerating Co., after the effective date hereof and on or before March 31, 1950, may execute a note in the principal amount of \$300,000, payable as indicated in the preceding opinion, for the purpose of financing, in part, the cost of the real property and improvements referred to in this application.
2. 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.
3. The authority herein granted will become effective when applicant has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is \$300.00.

Dated at San Francisco, California, this 10th day of January 1950.

R. Z. [Signature]  
Chairman  
[Signature]  
Harold P. Kuler  
Fremeth Potter  
Commissioners

