

CONFIDENTIAL

Decision No. 43954

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of SUNSET RICE DRYER, INC., for permission to execute a note and deed of trust on its public utility property.

Application No. 31064

O P I N I O N

This is an application for an order approving the issue of a note for \$30,000 and the execution of a deed of trust by Sunset Rice Dryer, Inc.

Applicant is a corporation engaged in the mill and warehouse business in Woodland, Yolo County. Its annual report to the Commission for the year 1949 shows its revenues from its warehouse operations at \$35,303.20 and from its non-warehouse operations at \$124,361.20, with net revenues of \$8,950.61 from its warehouse business and of \$2,441.74 from its non-warehouse. The report shows its assets and liabilities as of December 31, 1949 as follows:

<u>Assets</u>	
Property and equipment	\$139,765.77
Cash	10,638.42
Accounts receivable	10,781.54
Materials and supplies	4,857.47
Prepayments	<u>4,794.98</u>
Total	<u>\$170,838.18</u>

<u>Liabilities</u>	
Capital stock	\$ 78,060.28
Accounts payable	7,354.54
Accrued liabilities	4,960.83
Reserve for depreciation	41,163.82
Surplus	<u>39,298.71</u>
Total	<u>\$170,838.18</u>

The application shows that during 1950 applicant made arrangements to purchase, for \$30,000, certain real property which it has been occupying under lease arrangements and upon which it has constructed a warehouse building, and that in order to finance the purchase price it borrowed \$30,000 from Antone Paulsen, Peder Christiansen and B. Regnar Paulsen who are shown as stockholders in applicant's annual report. The sum thus borrowed was represented by a note dated February 2, 1950, payable in four annual installments of \$7,500 each, with interest at the rate of 4% per annum on deferred balances. The payment of the note was secured by a deed of trust, dated February 2, 1950, upon the real property.

It is reported that through inadvertence applicant failed to request the Commission for authority to issue the note and to execute the deed of trust. Applicant now asks the Commission to confirm the issue and execution of these instruments.

However, Section 51(a) of the Public Utilities Act provides, among other things, that the mortgage or encumbrance of public utility property made other than in accordance with an order of the Commission authorizing the same shall be void. Similarly, Section 52(d) provides that a note payable at periods of more than twelve months after the date thereof issued without an order of the Commission authorizing the same then in effect, shall be void. The note and deed of trust being void, in our opinion the Commission cannot by a later order confirm the earlier act of applicant or approve the issue and execution of the presently outstanding instruments.

A review of the application and of applicant's financial statements indicates that it had need for the proceeds from the issue of the note to finance the purchase price of the property.

An order accordingly will be entered authorizing it to issue a new note and to execute a new deed of trust.

The action taken herein shall not be construed to be a finding of value of the property to which reference is made.

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 an order should be entered as herein provided, that the money, property or labor to be procured or paid for through the issue of a note for \$30,000 is reasonably required by Sunset Rice Dryer, Inc. for the purpose specified herein and that such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income, therefore,

IT IS HEREBY ORDERED as follows:

1. Sunset Rice Dryer, Inc., after the effective date hereof and on or before July 31, 1950, may issue a note in the principal amount of not exceeding \$30,000 and execute a deed of trust, in or substantially in the same form as those filed in this proceeding, in lieu of the note and deed of trust dated February 2, 1950, issued and executed without an order from this Commission for the purpose of financing the purchase price of the real property referred to in this application.

2. Applicant shall file with the Commission a report of the issue of the note 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 \$30.00.

Dated at San Francisco California, this 21st day of March 1950.

R. Z. Intarman
Justice J. Cooney
W. H. Luce
Harold H. Huls
Kenneth Pottel

Commissioners

