

Decision No. 45507**ORIGINAL**

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. 32171

OPINION

Southern Pacific Milling Company, applicant herein, is a California corporation engaged in certain merchandising and other activities, including the operation of public utility warehouses, in various communities in California. ⁽¹⁾ In this application it seeks authority to execute a loan agreement and to issue notes in the principal amount of \$450,000 for the purpose of refunding outstanding indebtedness and of providing in part the cost of redeeming all its outstanding preferred stock.

Applicant was organized on June 5, 1947, with an authorized capital stock of 111,250 shares divided into 100,000 shares of common

(1)

Applicant's latest annual report to the Commission shows operations by applicant in Salinas, Gonzales, Greenfield, San Ardo, Bradley, San Miguel, Paso Robles, Santa Margarita, Oceano, Guadalupe, Santa Maria, Gates, Lompoc, La Salle, Santa Barbara, Camarillo and Somis.

Applicant's public utility operations produce but a small part of its total revenues. For the eight months ended January 31, 1951, it reports its revenues and their sources as follows:

Storage	\$ 85,786.57	3.0%
Sales of lumber	1,566,814.60	55.1
Sales of feed, seed, fertilizer and miscellaneous	647,597.40	22.8
Sales of aggregates	374,026.58	13.1
Bean and grain processing	124,492.85	4.4
Other services	45,394.40	1.6
Total	<u>\$2,844,112.40</u>	<u>100.0%</u>

stock of the par value of \$1 each, and 11,250 shares of 4% non-cumulative preferred stock of the par value of \$20 each. Pursuant to authority granted by the Commission by Decision No. 40508, dated July 8, 1947, it issued \$50,600 par value of common stock and \$225,000 par value of preferred stock and, in the course of merger proceedings, succeeded to the properties and operations of an earlier corporation (also named Southern Pacific Milling Company) which had been organized in 1886. As of January 31, 1951, it reports its assets and liabilities as follows:

<u>Assets</u>		
Current assets-		
Cash	\$130,311.04	
Notes and accounts receivable	554,785.02	
Accrued storage	7,536.41	
Inventories	<u>677,163.24</u>	
Total current assets		\$1,369,795.71
Fixed assets		
Lands, buildings, equipment	1,448,161.62	
Less: Allowance for depreciation	<u>853,322.28</u>	
Net fixed assets		594,839.34
Deferred charges		<u>24,109.61</u>
Total		<u>\$1,988,744.66</u>
<u>Liabilities</u>		
Long term notes payable		\$ 300,000.00
Current liabilities-		
Notes and accounts payable	\$174,900.07	
Accrued liabilities	95,099.75	
Other liabilities	<u>4,049.99</u>	
Total current liabilities		274,049.81
Preferred stock		155,000.00
Common stock		50,600.00
Net earnings predecessor company		988,504.93
Net earnings retained in business		191,089.92
Reduction surplus		<u>29,500.00</u>
Total		<u>\$1,988,744.66</u>

The shares of preferred stock are redeemable at a price of \$21 a share plus any unpaid dividends for the current period which may be payable.

It has been applicant's practice from time to time to redeem shares of preferred stock. Following the original issue of \$225,000 par value of such shares in 1947, it has redeemed \$70,000 thereof, leaving \$155,000 now outstanding. It now proposes to call the remaining shares for redemption and to finance such redemption in part through the proposed note issues and in part with treasury funds. It appears that Wells Fargo Bank and Union Trust Co. has agreed to advance applicant \$150,000 for this purpose. ✓

The sum to be thus borrowed will be consolidated with the existing bank loan of \$300,000 and the combined amount will be represented by fourteen new notes, of which thirteen will be in the principal amount of \$32,500 and one in the principal amount of \$27,500, maturing at six months intervals with 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. Applicant proposes to execute a loan agreement with said bank providing for the issue of the notes.

Applicant's financial statements on file with the Commission show net income for the twelve months ended May 31, 1950, at \$31,397.00, after making allowances of \$81,355.70 for depreciation, and net income for the eight months ended January 31, 1951, at \$104,493.68, after making allowances of \$49,860.37 for depreciation. It clearly appears that applicant's earnings should be ample to support the proposed note issues and that an order authorizing the same is warranted.

O R D E R

The Commission having considered the above entitled matter and being of the opinion that a public hearing is not necessary, that the request of applicant should be granted, as herein provided, that the money, property or labor to be procured or paid for through the issue of the notes herein authorized is reasonably required 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, 1951, may execute a loan agreement in, or substantially in, the same form as that filed in this proceeding as Exhibit B, and may issue its promissory notes in the aggregate principal amount of not exceeding \$450,000, in, or substantially in, the same form as the note filed in this proceeding as Exhibit C. Applicant shall use the proceeds to be received through the issue of such notes for the purposes set forth 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 Southern Pacific Milling Company has paid the fee prescribed by Section 57 of the Public Utilities Act.

Dated at San Francisco, California, this 3rd
day of April, 1951.

Q. J. [Signature]
Justus F. [Signature]
Harold P. Kula
[Signature]
[Signature]
Commissioners

