

Decision No. 47880

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)	
of	:	
SANTA CLARA COLD STORAGE & FREEZER)	Application
CO., a California corporation, to	:	No. 33822
issue and sell capital stock and to)	
borrow.	:	
-----)	

O P I N I O N

This is an application for an order authorizing Santa Clara Cold Storage & Freezer Co. to issue and sell \$210,000 par value of its common stock, to issue a promissory note in the principal amount of \$210,000, and to execute a mortgage of chattels for the purpose of financing the cost of additions and betterments to its properties and of providing working capital.

Applicant is a California corporation organized on or about August 9, 1950. On September 6, 1950, it filed an application (No. 31731) and by Decision No. 44787, dated September 19, 1950, was authorized to issue and sell \$250,000 par value of its stock to provide working capital and to finance in part the estimated cost of acquiring seven acres of land and of constructing thereon a plant consisting of six storage rooms, of an aggregate capacity of 480,000 cubic feet, equipped with refrigeration machinery. The land, buildings and equipment had an estimated cost of \$352,825.

On November 6, 1950, applicant filed a second application, (No. 31890) in which it alleged that it had been requested by several groups of strawberry growers, and others interested in packaging frozen commodities, to construct and equip a quick freezer plant in

addition to its other facilities then under construction. It estimated the total cost of the expanded construction program at \$438,814 or \$85,989 in excess of the amount originally estimated. Decision No. 45018, dated November 21, 1950, authorized applicant to issue and sell \$50,000 par value of stock, in addition to that authorized by Decision No. 44787, and to execute a 4% promissory note in the principal amount of \$250,000 in order to finance the expanded construction program and to provide additional working capital.

Applicant commenced operation in the summer of 1951 and for the twelve months ended August 31, 1952, reports its revenues at \$120,325.42, its expenses at \$87,570.78, and its net income before federal income taxes at \$32,754.64. Its assets and liabilities as of August 31, 1952, as summarized from detail contained in Exhibit A attached to the application, are as follows:

Assets

Cash		\$ 22,096.54
Accounts receivable		14,246.58
Land		18,677.62
Depreciable plant	\$521,792.83	
Less: Reserves for depreciation	<u>34,495.65</u>	487,297.18
Deferred and prepaid charges		5,594.38
Organization expense		<u>1,188.83</u>
	Total	<u>\$549,101.13</u>

Liabilities

Current liabilities	\$ 6,991.63
Long-term debt	190,000.00
Common capital stock	300,000.00
Earned surplus	<u>52,109.50</u>
	Total
	<u>\$549,101.13</u>

Applicant now reports that its present facilities are not sufficient to handle prospective business, that there is a definite shortage of freezing and cold storage facilities in the area in which it operates, and that local canners and freezers are being faced with the necessity of hauling commodities to outside areas for storage.

To meet this demand for service applicant now proposes to construct an addition to its present building and to equip it with refrigeration. The proposed addition will contain approximately 24,428 square feet and, together with equipment, is estimated to cost \$405,356.31. Applicant estimates that the proposed addition will produce additional annual gross revenue of \$154,120.26 on the basis of 80% occupancy, will necessitate the incurring of additional annual expense of \$49,697.29, resulting in additional net income before income taxes of \$104,422.97.

Applicant proposes to finance the new addition through the issue and sale of 2,100 shares of its common stock of an aggregate par value of \$210,000 and through the execution of a promissory note in the principal amount of \$210,000. The common stock is to be issued and sold at par to present shareholders under the preemptive provisions contained in the corporation's Articles of Incorporation, except for 75 shares which are to be issued and sold to applicant's manager under a newly created and stockholder approved Employee Stock Purchase Plan. The promissory note which applicant proposes to issue is to be repaid in annual installments of \$30,000 or more with interest at the rate of 4 $\frac{1}{2}$ % per annum on deferred balances. It will be secured by the deed of trust previously authorized by Decision No. 45018 and by a new mortgage of chattels on the equipment to be acquired under the contemplated construction program. A copy of the promissory note and a copy of the mortgage of chattels which applicant proposes to execute are attached to the application as Exhibit F and Exhibit G, respectively.

It appears that applicant will have need for the funds to be obtained through the issue of the stock and note for the purposes indicated in the application. An order will be entered.

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 application should be granted, as herein provided; that the money, property or labor to be procured or paid for by the issue of the stock and note herein authorized is reasonably required by applicant 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. Santa Clara Cold Storage & Freezer Co., on or after the effective date hereof and on or before January 31, 1953, may issue and sell, at par for cash, not exceeding 2,100 shares of its capital stock of the par value of \$100 each and a note in the principal amount of not exceeding \$210,000, and may execute a mortgage of chattels, which note and mortgage of chattels shall be in, or substantially in, the same form as those filed in this proceeding as Exhibit F and Exhibit G, respectively.

2. Applicant shall use the proceeds to be received through the issue of said shares of stock and said note to finance its estimated construction expenditures and to provide working capital to maintain its service, as set forth in this application.

3. Applicant shall file with the Commission monthly 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 applicant has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is two hundred ten (\$210.00) dollars.

Dated at San Francisco, California, this 3rd day of November, 1952.

A. J. ...
President

Justice F. ...
Harold ...

...
...
Commissioners

