

Decision No. 47909

**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 preferred	:	Application
stock and evidences of indebtedness.	)	No. 33846
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O P I N I O N

This is an application for an order of the Commission authorizing Southern Pacific Milling Company to issue promissory notes in the aggregate principal amount of \$720,000 and 1,500 shares of 5% cumulative preferred stock of the aggregate par value of \$150,000 for the purpose of paying outstanding notes in favor of Wells Fargo Bank & Union Trust Co. and of financing the cost of property.

Applicant is a California corporation organized on June 5, 1947. It is engaged in business as a public utility warehouseman in Salinas, San Ardo, Paso Robles, Guadalupe, Bromela, Santa Maria, Gates, Lompoc, La Salle and Camarillo, and in sales and other nonutility activities, its utility operations comprising but a small part of the total. For the 12-month period ended May 31, 1952, it reported utility revenues of \$92,028.36 and nonutility revenues of \$4,036,132.36, with net income for the year of \$152,660.21 after provision for taxes on income.

Applicant's financial reports filed with the Commission show that it has financed itself in part through the issue of long-term notes but primarily through the issue of common stock and the

use of retained earnings. Its balance sheet as of July 31, 1952, is reported as follows:

<u>Assets</u>		
Current assets -		
Cash	\$ 61,639.69	
Notes and accounts receivable	708,954.63	
Accrued storage	14,889.36	
Inventories	<u>677,643.82</u>	
Total current assets		\$1,463,127.50
Fixed assets -		
Total amount	1,533,988.49	
Less-allowance for depreciation	<u>817,824.34</u>	
Net fixed assets		716,164.15
Prepaid expenses		<u>29,899.23</u>
Total		<u>\$2,209,190.88</u>

<u>Liabilities</u>		
Current liabilities -		
Notes payable--current	\$ 50,000.00	
Accounts payable	236,291.04	
Accrued liabilities	138,340.56	
Other liabilities	<u>6,601.63</u>	
Total current liabilities		\$ 431,233.23
Long-term notes		352,500.00
Common stock equity		<u>1,425,457.65</u>
Total		<u>\$2,209,190.88</u>

The outstanding long-term notes of \$352,500 were issued to Wells Fargo Bank & Union Trust Co. under authority granted by Decision No. 45507, dated April 3, 1951, for the purpose of refunding outstanding indebtedness and of providing in part the cost of redeeming an issue of shares of preferred stock.

It appears that applicant now desires to refinance the outstanding long-term notes of \$352,500 and to increase its borrowings from Wells Fargo Bank & Union Trust Co. to the aggregate amount of \$720,000, the additional borrowing of \$367,500 to be applied toward the purchase price of the assets of El Rio Rock Company at Santa Paula.

The agreed purchase price to be paid for the assets to be thus acquired is \$958,000, of which \$675,000 will be payable in cash upon completion of the transaction, \$133,000 will be payable six months thereafter, and \$150,000 will be paid through the issue of shares of applicant's 5% cumulative preferred stock. The cash payments will be met through the issue of the notes proposed in this application and other short-term borrowings and cash on hand.

Applicant has entered, or is making arrangements to enter, into a loan agreement with Wells Fargo Bank & Union Trust Co. whereby said bank has agreed to advance to it the said sum of \$720,000. The amount will be represented by 14 promissory notes, each bearing interest at the rate of 4% per annum, or at a rate equal to  $1\frac{1}{2}\%$  above the prime rate for unsecured loans charged by the bank, whichever rate is higher at the time of each payment of interest. Of the 14 notes, the agreement shows that one note in the amount of \$32,500 will be payable on December 31, 1952, 12 notes each in the amount of \$51,500 will be payable at intervals of six months thereafter commencing June 30, 1953, to and including December 31, 1958, and the final note in the amount of \$69,500 will be payable on June 30, 1959. A copy of the loan agreement has been filed in this proceeding as Exhibit B.

A review of the application and of applicant's financial reports indicates that it will have need for the proceeds from the issue of its notes and shares of stock for the purposes indicated herein. Accordingly, 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 notes and shares of stock 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,

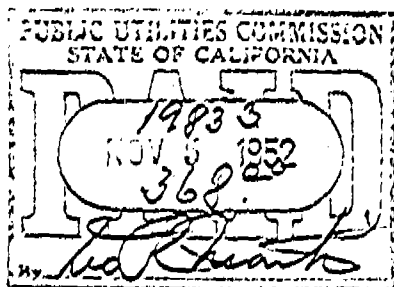
IT IS HEREBY ORDERED as follows:

1. Southern Pacific Milling Company, on and after the effective date hereof and on or before March 31, 1953, may issue its promissory notes in the aggregate principal amount of \$720,000, under and pursuant to the terms of the loan agreement with Wells Fargo Bank & Union Trust Co., and may issue not exceeding 1,500 shares of 5% cumulative preferred stock of the aggregate par value of \$150,000 for the purpose of paying indebtedness and of financing the cost of property.

2. 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.

3. The authority herein granted will become effective when applicant has paid the fee prescribed by Section 1904(b) of the Public Utilities Code.

Dated at San Francisco, California, this 5th day of November, 1952.



R. Z. [Signature]  
President  
Justus J. [Signature]  
Harold [Signature]  
[Signature]  
Commissioners