

Decision No. 49616

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of SOUTHERN PACIFIC MILLING COMPANY, a corporation, to sell and transfer, and of HENRY T. HOLSMAN, an individual, to purchase and acquire public utility warehouses at Lompoc, LaSalle and Gates, California; of said purchaser to execute promissory notes, encumber public utility property, and lease public utility property to LOMPOC MILLING COMPANY, a corporation; and of LOMPOC MILLING COMPANY to issue stock and evidences of indebtedness.

Application
No. 35034

O P I N I O N

This is an application for an order of the Commission authorizing Southern Pacific Milling Company to sell certain warehouse properties located at Lompoc, LaSalle and Gates to Henry T. Holsman, and authorizing Henry T. Holsman to execute deeds of trust, to issue promissory notes in the aggregate principal amount of \$110,000, and to lease the properties to Lompoc Milling Company, a corporation.

Lompoc Milling Company seeks authorization to issue \$9,500 par value of its common stock and \$13,000 in principal amount of promissory notes.

Southern Pacific Milling Company is a California corporation which has been engaged for many years in the public utility warehousing business at various locations in California and in certain nonutility activities. For some time the company has been pursuing a policy of disposing of its public utility warehouse properties and in confining its efforts to its nonutility activities. At this time it is contemplating further withdrawal from such utility

operations and has made arrangements to sell land, buildings, machinery and equipment located at its warehouses at Lompoc, LaSalle and Gates and to sell its Lompoc lumber yard to Henry T. Holsman for the sum of \$117,500. The purchaser has made a down payment of \$11,750 and proposes to pay the remainder of the purchase price in cash upon completion of the transfer of the properties.

To provide a portion of the purchase price, Henry T. Holsman intends to borrow \$110,000 from the County National Bank and Trust Company of Santa Barbara under separate loans to be secured by deeds of trust on the several properties, as follows:

Warehouse No. 1 - Lompoc	\$ 10,000.00
Warehouse No. 2 (including machinery)	
- Lompoc	35,000.00
Warehouse No. 3 (including machinery)	
- Lompoc	40,000.00
Warehouse No. 4 - Lompoc	5,000.00
LaSalle Warehouse	10,000.00
Gates Warehouse	<u>10,000.00</u>
Total	<u>\$110,000.00</u>

The borrowings will be represented by promissory notes payable in annual installments of 5% of the face amount of the notes, with interest at the rate of 5% per annum.

Immediately upon acquisition of the properties referred to in this application, Henry T. Holsman proposes to lease them to Lompoc Milling Company, a corporation which he has organized for the purpose of taking over and continuing the operations and of assuming responsibility for all commodities on storage at the three warehouses. The proposed lease provides for a rental of \$1,500 a month for a period of one year.

The new corporation, in order to obtain working capital, proposes to issue and sell \$9,500 par value of its capital stock to Henry T. Holsman and Yale B. Griffith and to issue two notes, each in the principal amount of \$9,000, repayable over a period of eight

years with interest at the rate of 6% per annum, one note to be issued to Marta H. Holsman and one note to Henrietta H. Holsman. These proposed issues will yield the corporation \$27,500 in cash working capital.

The original cost of the properties to be transferred is reported at \$246,649.95 and the book value at \$145,362.99. The revenues from the operations of the facilities, including the non-utility operations, amounted to \$232,633.59 for the twelve months ended May 31, 1953, with a reported net income of \$1,471.27.

An examination by the Commission's staff indicates that the purchaser financially is in a position to take over and maintain the operations, that he intends to continue the utility operations, and that he has made a survey and has concluded operating expenses can be reduced by approximately \$15,600 and the business developed to a point where earnings can be realized in volume adequate to meet operating expenses and carry the charges under the proposed leasing and financing arrangements.

From a review of this matter it appears that the proposed transfers will not be adverse to the public interest, that the requests of applicants should be granted, and 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 applicants for the purposes specified herein, which purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.

The action taken herein shall not be construed to be a finding of the value of the properties authorized to be sold and transferred.

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 and that the application should be granted, as herein provided; therefore,

IT IS HEREBY ORDERED as follows:

1. Southern Pacific Milling Company may sell and transfer to Henry T. Holsman, on or before June 30, 1954, the warehouse properties and equipment located at Lompoc, LaSalle and Gates to which reference is made in this proceeding.

2. Henry T. Holsman may execute deeds of trust on or before June 30, 1954, in substantially the same form as the deed of trust filed in this proceeding, and may issue promissory notes in the aggregate principal amount of not exceeding \$110,000 for the purpose of financing in part the purchase price of said properties and equipment.

3. Henry T. Holsman and Lompoc Milling Company, a corporation, may enter into a lease agreement in substantially the same form as that filed in this proceeding as Exhibit D.

4. Lompoc Milling Company, a corporation, may issue, on or before June 30, 1954, not exceeding \$9,500 par value of its capital stock and not exceeding \$18,000 in principal amount of its promissory notes for the purpose of providing working capital.

5. On not less than five days' notice to the Commission and to the public, applicants shall supplement or reissue the tariffs now on file with the Commission, insofar as they name rates, rules and regulations governing warehouse operations of Southern Pacific Milling Company at Lompoc, LaSalle and Gates, to show that Southern

Pacific Milling Company has withdrawn or canceled and that Lompoc Milling Company, a corporation, concurrently has adopted or established as its own said rates, rules and regulations. The tariff filings made pursuant to this order in all respects shall comply with the regulations governing the construction and filing of warehouse tariffs set forth in the Commission's General Order No. 61.

6. Henry T. Holsman and Lompoc Milling Company shall file reports as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

7. The authority herein granted will become effective when Henry T. Holsman and/or Lompoc Milling Company have paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$128.00.

Dated at San Francisco, California, this 2nd day of February 1954.

R. E. [Signature]
President
Justus J. [Signature]
[Signature]
[Signature]
[Signature]
Commissioners

