

**ORIGINAL**

Decision No. 51503

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA.

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| Application of ICE SICKLE ZERO STORAGE, INC., a corporation, ARDEN FARMS CO., a corporation, and MARKET WHOLESale GROCERY CO., a corporation, for Approval of the Sale of the Public Utility Properties of ICE SICKLE ZERO STORAGE, INC. to ARDEN FARMS CO., and the Leasing of the said Assets by ARDEN FARMS CO. to MARKET WHOLESale GROCERY CO., a corporation. | ) |             |
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|  | : | Application |
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O P I N I O N

This is an application for an order of the Commission authorizing (1) Ice Sickle Zero Storage, Inc. to sell assets to Arden Farms Co., a corporation, and (2) Arden Farms Co. to lease said assets to Market Wholesale Grocery Co., a corporation.

In this decision Ice Sickle Zero Storage, Inc. will be referred to as Ice Sickle, Arden Farms Co. as Arden, and Market Wholesale Grocery Co. as Market.

Ice Sickle is a California corporation engaged in the quick freezing and cold storage of fruits and vegetables at Fresno. The application shows that Lloyd A. Van Sickle, its president and sole stockholder, has found it necessary for physical reasons to retire from the active management of the business and that he has made arrangements for the sale to Arden of all the assets used by Ice Sickle in the performance of its public utility functions. The agreed purchase price is the sum of \$300,000.

Arden is a Delaware corporation engaged in merchandising milk and milk products. It is not a utility, and does not contemplate

engaging in public utility operations, and accordingly has made arrangements to lease the assets it will acquire from Ice Sickle to Market, its wholly-owned subsidiary, for a term of five years at a total rental of \$50,000, payable in monthly installments of \$833.33.

Market is a California corporation engaged in the distribution and sale of groceries and related commodities at wholesale. Among other things, it operates a grocery warehouse office and distribution center in Fresno under the name of Better Buy Wholesale Groceries. It reports that it desires to expand its activities in the Fresno area through the acquisition of the business now performed by Ice Sickle.

As to the properties and operations which are involved in these transactions, financial statements filed by Ice Sickle show its investment in utility land, building and equipment at \$181,186 at the close of 1954 and its net investment, after deducting the accumulated depreciation reserve, at \$138,281. The statements show the reported results of operations of the business during the last three years as follows:

|                                | <u>1952</u>     | <u>1953</u>     | <u>1954</u>     |
|--------------------------------|-----------------|-----------------|-----------------|
| Operating revenues             | <u>\$78,841</u> | <u>\$79,544</u> | <u>\$77,468</u> |
| Operating revenue deductions - |                 |                 |                 |
| Operating expenses             | 48,836          | 47,045          | 45,952          |
| Taxes                          | <u>13,339</u>   | <u>13,789</u>   | <u>15,101</u>   |
| Totals                         | <u>62,175</u>   | <u>60,834</u>   | <u>61,053</u>   |
| Net operating income           | 16,666          | 18,710          | 16,415          |
| Other income                   | 3,341           | 3,646           | 2,334           |
| Interest and other deductions  | <u>(4,410)</u>  | <u>(4,597)</u>  | <u>(433)</u>    |
| Net profit                     | <u>\$15,597</u> | <u>\$17,759</u> | <u>\$18,316</u> |

According to the application, Market will continue the operations of Ice Sickle with no increases in the rates or changes in the service. It is asserted that the territory presently is in need of additional zero storage facilities, that there is a continuing

demand for space which Ice Sickle has not been able to meet, and that Arden is in a better position to finance the expansion of the facilities than is Ice Sickle. Statements filed in the proceeding show that as of February 28, 1955, Arden had current and prepaid assets in the amount of \$34,204,376 as compared with current liabilities of \$19,794,444, and total capital and surplus in the amount of \$26,001,280. These statements show, for the first two months of 1955, net sales by Arden and its subsidiaries in the amount of \$29,789,996, and net sales by Market in the amount of \$7,890,221. Market similarly had a favorable financial position, reporting current and prepaid assets at the close of February of this year in the amount of \$6,653,917 and current liabilities of \$2,686,207, exclusive of intercompany accounts.

The \$300,000 purchase price, which is substantially in excess of the book value of the assets to be transferred, is said to represent the estimated fair market value. This price and the proposed rental are amounts considered by applicants to be reasonable. It appears to us that if Arden and Market are willing to acquire the properties and operations under these terms we should not withhold our consent to their program, as it is readily apparent that the transferees financially are in a position to take over the utility business, to continue the operations and to increase and improve the service to the extent necessary to meet the requirements of the public in the area. On the basis of the information before us in this proceeding we find that the proposed transactions will not be adverse to the public interest.

At the same time, however, we wish to place applicants on notice that our action in this proceeding should not be construed to be a finding of the value of the properties to be transferred and

that we will not regard the purchase price or the rental as measuring the rate base or operating expenses for the purpose of fixing rates, should we be called upon to do so in the future.

Upon acquiring the operations now conducted by Ice Sickle, Market will become a public utility corporation and as such will be required to keep its records and to file its annual reports in such form as the Commission may prescribe.

### 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. Ice Sickle Zero Storage, Inc. may sell to Arden Farms Co. on or before September 30, 1955, the assets listed in Exhibit 4 filed in this proceeding.

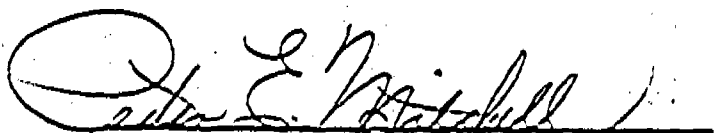
2. Arden Farms Co. and Market Wholesale Grocery Co. may enter into a lease agreement with respect to said assets, which lease agreement shall be in, or substantially in, the same form as that filed in this proceeding as Exhibit 5.

3. On not less than five days' notice to the Commission and to the public, Ice Sickle Zero Storage, Inc. and Market Wholesale Grocery Co. shall supplement or reissue the tariffs now on file with the Commission, insofar as they name rates, rules and regulations governing the warehouse operations here involved, to show that


Ice Sickle Zero Storage, Inc. has withdrawn or canceled and that Market Wholesale Grocery Co. 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.

4. The authority herein granted will become effective on the date hereof.

Dated at San Francisco, California, this 31<sup>st</sup> day of May, 1955.

  
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President

  
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Commissioners