

**ORIGINAL**

Decision No. 51537

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
 CALIFORNIA ICE AND COLD STORAGE COMPANY, )  
 a corporation, and CALIFORNIA COLD )  
 STORAGE & DISTRIBUTING CO., a corporation, )  
 for order authorizing transfer of businesses )  
 and certificates of public convenience and )  
 necessity and rights, privileges, franchises, )  
 and permits, together with certain assets held : Application  
 and owned by CALIFORNIA COLD STORAGE & ) No. 36957  
 DISTRIBUTING CO. to CALIFORNIA ICE AND )  
 COLD STORAGE COMPANY, and authorizing )  
 issuance by CALIFORNIA ICE AND COLD )  
 STORAGE COMPANY of shares of its stock to )  
 CALIFORNIA COLD STORAGE & DISTRIBUTING CO. )  
 in consideration for the transfer of such )  
 businesses and assets. )  
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O P I N I O N

In this proceeding the Commission is asked to make an order authorizing California Cold Storage & Distributing Co. to transfer certain cold storage operations and related activities to California Ice and Cold Storage Company and authorizing the latter to issue 2,500 shares of its no par value common stock.

California Cold Storage & Distributing Co. is engaged as a distributor of beer and other beverages in California and in Arizona, in the manufacture, sale and distribution of ice in Bakersfield, and in the operation of public utility cold storage plants and warehouses in San Diego, Long Beach and Bakersfield. In its annual reports to the Commission for the last three calendar years it has reported revenues and net profit as follows:

	<u>Operating Revenues</u>	<u>Nonutility Revenues</u>	<u>Total Revenues</u>	<u>Net Profit</u>
1952	\$495,138	\$ 9,713,522	\$10,208,660	\$325,255
1953	453,413	12,189,958	12,643,371	261,601
1954	500,598	14,393,329	14,893,927	445,262

California Cold Storage & Distributing Co. is a public utility corporation because of its activities in the public warehousing business, even though such activities account for only a minor part of its total income. As a public utility corporation it is required to furnish the Commission with reports of its total operations and to obtain from the Commission approval of its financing transactions. It therefore has concluded to separate its two classes of operations and to transfer to California Ice and Cold Storage Company, which will be a wholly-owned subsidiary, in exchange for shares of stock, all its public utility warehousing business, together with its ice business in Bakersfield which it finds impossible to separate from its related cold storage operations.

To accomplish the separation of its activities, California Cold Storage & Distributing Co. will transfer to its subsidiary certain automobiles and trucks at their book values, together with cash and other current items pertaining to the utility operations, subject to current liabilities. It will retain ownership of the physical properties but it proposes to enter into an agreement whereby it will lease to its subsidiary all of the space in its buildings in San Diego, Long Beach and Bakersfield, including necessary access areas and space, in which it now is conducting and operating its cold storage and ice business, together with all machinery, equipment and facilities used in such operations. It will agree to keep the buildings in good order, condition and repair and insured against loss or damage and to make any extraordinary repairs as may be required, and in addition to guarantee the payment and discharge of any and all obligations of the subsidiary to third persons which may be incurred in the conduct and operation of the business and which the subsidiary may be unable to meet. The lease will run for a term of ten years and thereafter will be automatically

renewed from year to year unless terminated by six months' notice. As rental the lessee will pay a sum equal to its entire net income derived from the operation and conduct of the cold storage and ice business.

A pro forma statement indicating the financial position of the subsidiary company at the time of commencement of business is shown in Exhibit E as follows:

Assets

Cash	\$ 47,377
Notes and accounts receivable	47,769
Inventory and supplies	2,464
Automobiles and trucks	<u>2,609</u>
Total	<u>\$101,219</u>

Liabilities and Capital

Accounts payable	\$ 6,219
Common stock, 2,500 shares-no par value	75,000
Paid-in surplus	<u>20,000</u>
Total	<u>\$101,219</u>

California Cold Storage & Distributing Co. reports that it has no intention to sell or dispose of any of the shares of stock of California Ice and Cold Storage Company. The latter company will continue the operation of the present business and facilities under the same rates, rules and regulations with no interruption in the continuity of service. As is indicated earlier in this decision, the holding company will make working cash available to the new operating company and in addition will enter into the guarantee of its obligations. Under the circumstances set forth in this application it appears to us, and we so find, that the transaction will not be adverse to the public interest and we will enter our order approving the matter.

The action taken herein shall not be construed to be a finding of the value of the properties referred to in this application.

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 herein authorized is reasonably required by California Ice and Cold Storage Company for the purpose specified herein, and that such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income, therefore,

IT IS HEREBY ORDERED as follows:

1. California Cold Storage & Distributing Co., on and after the date hereof and on or before September 30, 1955, may convey, and California Ice and Cold Storage Company may acquire, the properties and business described in Exhibit C filed in this proceeding, in accordance with the terms and conditions therein set forth. For accounting purposes the transaction may be deemed consummated and completed as of the close of business May 31, 1955.
2. California Ice and Cold Storage Company, on and after the date hereof and on or before September 30, 1955, may issue 2,500 shares of its capital stock to California Cold Storage & Distributing Co. for the purpose set forth in this application.
3. California Cold Storage & Distributing Co. may acquire and hold 2,500 shares of capital stock of California Ice and Cold Storage Company.
4. California Cold Storage & Distributing Co. and California Ice and Cold Storage Company may execute a lease agreement in substantially the same form as that filed in this proceeding as Exhibit F.

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 the warehouse operations here involved, to show that California Cold Storage & Distributing Co. has withdrawn or canceled and that California Ice and Cold Storage Company 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. California Ice and Cold Storage Company shall file with the Commission the report 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 on the date hereof.

Dated at San Francisco, California, this 7<sup>th</sup> day of June, 1955.

Peter E. Mitchell  
President

Justus J. Caswell  
Raulo Antero

William J. Ashby

Commissioners