

ORIGINAL

Decision No. 54347

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

| | | |
|--|---|-----------------------|
| In the Matter of the Application of |) | |
| HENRY T. HOLSMAN, an individual, to | : | |
| sell and transfer to LOMPOC MILLING |) | |
| COMPANY, a corporation, and for the | : | Application No. 38591 |
| latter to purchase and acquire public |) | (and Amendment) |
| utility warehouses at Lompoc, LaSalle | : | |
| and Gates, California; of said purchaser |) | |
| to execute promissory note and encumber | : | |
| public utility property. |) | |
| ----- | : | |

O P I N I O N

In this application, as amended, Henry T. Holsman requests the Commission to issue an order authorizing him to sell certain warehouse properties to Lompoc Milling Company, a corporation, and Lompoc Milling Company requests authority to execute a deed of trust, to issue its promissory note and to assume outstanding indebtedness in payment for the properties being acquired by it.

Henry T. Holsman is the owner of certain properties located in the County of Santa Barbara which now are leased to applicant Lompoc Milling Company and are utilized by it in public warehousing and in mercantile activities. The properties so leased are commonly known as Lompoc Warehouses Nos. 1, 2, 3 and 4, and LaSalle and Gates Warehouses. Holsman acquired these properties from Southern Pacific Milling Company in 1954 under authority granted by the Commission in Decision No. 49616, dated February 2, 1954, in Application No. 35034, and under the same authority entered into a lease agreement with Lompoc Milling Company under the terms of which the corporation took over the control and operation of the warehouse properties and in return agreed to pay a rental of \$1,500 a month and all utility charges, real and personal property taxes, license fees and insurance premiums and maintenance and repairs.

Holsman now desires to sell the warehouse properties and all of the machinery and equipment located therein, and Lompoc Milling Company desires to acquire these properties and to continue their operation. To accomplish the transfer, Holsman and Lompoc Milling Company have entered into an agreement of sale which provides for a total purchase price of \$346,000, payable \$6,000 in cash upon the execution of the agreement of sale, \$104,500 through the assumption by Lompoc of the present unpaid balance due on a first deed of trust against the real property being transferred, and the balance of \$235,500 through the issue of a promissory note secured by a second deed of trust on the real property. The note to be assumed by Lompoc provides for the repayment of the principal in annual installments of \$5,500, with interest on the unpaid balance being computed at the rate of 5% per annum. The new promissory note in the amount of \$235,500 is payable in 15 years, requires monthly payments of \$500 or more on the principal and provides for interest at the rate of 2% per annum on the deferred balances.

The properties being transferred are reported to have an original cost of \$246,649.95. The sales price of \$346,000 is reported to be based on a full and complete appraisal of the properties by a firm of independent appraisers and is said to reflect reproduction cost new less accrued depreciation.

The Commission, in considering this application, is not required to approve the purchase price which was established as a result of negotiation between the parties involved. It has been requested to authorize the transfer of properties and the incurring of indebtedness and in considering these matters it will base its decision on the effect the proposed transfer will have on the public interest and on the financial ability of the buyer to meet the obligations which will arise by reason of the acquisition of the properties.

Lompoc Milling Company currently is paying a rental of \$18,000 a year for the use of the property which it proposes to purchase. Under the terms of the agreement of sale, the maximum annual obligations of Lompoc will consist of the following:

| | |
|--|-----------------|
| 5% interest on \$104,500 note secured by first deed of trust | \$ 5,225 |
| Principal installments on note secured by first deed of trust | 5,500 |
| Interest at 2% on \$235,500 note secured by second deed of trust | 4,710 |
| Principal installments on note secured by second deed of trust | <u>6,000</u> |
| Total | <u>\$21,435</u> |

It appears that Lompoc will be paying not more than \$9,935 a year as interest, plus \$11,500 in repayment of principal, or a total of \$21,435, if it purchases the property, as compared with the \$18,000 a year it now pays as rent.

For the twelve months ended March 31, 1956, Lompoc Milling Company reported net operating profit of \$23,892 available for depreciation, rent and other income charges, and for the seven months ended October 31, 1956, \$13,189. It thus appears that Lompoc will have sufficient money from operations to meet the financial obligations which will be imposed upon it by the acquisition of the warehouse properties as herein proposed.

From a review of the application it appears that the operations of the warehouse business would not be affected in any way by the proposed transfer except that title to the warehouse properties will be held by the firm which operates the properties. Under these conditions, it appears that the proposed transfer will not be adverse to the public interest, that the request of applicant should be granted and that the money, property or labor to be procured or paid for by the issue of the notes and the assumption of the liabilities

herein authorized is reasonably required by applicant 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 transferred. If the Commission is called upon to fix rates for storage, the values claimed in this proceeding will be subject to review.

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. Henry T. Holsman may sell and transfer to Lompoc Milling Company, on or before June 30, 1957, the warehouse properties and equipment located at Lompoc, LaSalle and Gates, to which reference is made in this proceeding.

2. Lompoc Milling Company may assume the payment of the outstanding note and deed of trust in the amount of not exceeding \$104,500 and may execute a second deed of trust, on or before June 30, 1957, and issue a promissory note in the aggregate principal amount of not exceeding \$235,500 for the purpose of financing, in part, the purchase price of said properties and equipment. The second deed of trust and the promissory note shall be in or substantially in the same form as those filed in this proceeding.

3. 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.

4. The authority herein granted will become effective when Lompoc Milling Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$236.

Dated at San Francisco, California, this 8th day of January, 1957.

John E. Mitchell
 President

Paul L. ...

...

...

...
 Commissioners

