

ORIGINAL

Decision No. 5885

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of TRI-COUNTIES RICE, INC., a California corporation, formerly known as LA ROBLEDA CO., to sell and assign, and of PACIFIC INDUSTRIES, INC., a California corporation, formerly known as CENTRAL EUREKA CORPORATION, to purchase from and lease back to Tri-Counties Rice, Inc. certain assets, including warehouse property and equipment, and to execute a promissory note secured by chattel mortgage covering such warehouse property and equipment, and to assume certain liabilities.

Application
No. 39978

O P I N I O N

In this application Tri-Counties Rice, Inc. seeks authorization to sell certain warehouse properties to Pacific Industries, Inc. and to enter into a lease-back agreement.

Tri-Counties Rice, Inc. is a California corporation, formerly known as La Robleda Co., which is engaged in the rice drying business in Colusa County and, incidental thereto, in the public utility warehousing of agricultural commodities. All of its outstanding stock is owned by Pacific Industries, Inc.

Pacific Industries, Inc., formerly named Central Eureka Corporation, is a California corporation engaged in a variety of enterprises including the processing and handling of leather, the repairing of ships, and the manufacture of heaters and furnaces. In addition, it owns all of the stock of other corporations including, as stated, the Tri-Counties Rice, Inc.

Pacific Industries, Inc. formerly conducted the rice drying and warehouse operations in its own name. In 1956, however, in order to divorce the public utility operations from the non-utility, it transferred its rice drying and storage properties and business to its wholly-owned subsidiary, that is, the corporation now known as Tri-Counties Rice, Inc., pursuant to authorization granted by Decision No. 53672, dated August 29, 1956, in Application No. 38247.

The record in Application No. 38247 and in this present application shows that the rice drying and warehouse properties were subject to indebtedness of \$873,000 at the time of transfer, which has since been reduced to \$577,920, and that title to the properties at the time of transfer was, and at present remains, in escrow with Pacific National Bank of San Francisco, pending full payment of the obligation. This obligation is payable up to 1960 in annual installments based upon the profits of the rice drying, storage and farming operations and after 1960 is payable in amounts based on such profits or \$75,000 annually, whichever is greater.

It now appears that arrangements have been made by Tri-Counties Rice, Inc., Pacific Industries, Inc. and the holders of the above-mentioned indebtedness whereby the properties of Tri-Counties Rice, Inc. will be transferred to Pacific Industries, Inc.; the indebtedness will be canceled; the escrow will be terminated; and a new note will be issued by Pacific Industries, Inc. in the amount of \$577,920, payable in semiannual installments of \$40,000, with interest at the rate of 5% per annum. At the same time, Pacific Industries, Inc. will lease back the properties to Tri-Counties Rice, Inc. at an annual rental of \$80,000.

The purpose of the transaction is to remove the rice drying and warehouse properties from escrow and to vest full title in the owner. It appears that there will be no change in the warehouse service offered to the public and that the sale and lease-back should not place an undue burden on Tri-Counties Rice, Inc.^{1/}

Upon a review of the verified application, we are of the opinion, and so find, that the proposed transactions will not be adverse to the public interest. Accordingly, we are entering our order granting 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 money, property or labor to be procured or paid for by the issue of the note herein authorized is reasonably required for the purpose specified herein and that such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income; NOW THEREFORE,

IT IS HEREBY ORDERED as follows:

^{1/} The public utility warehouse operations constitute but a small part of the total operations of Tri-Counties Rice, Inc., the principal activities of the company being that of conducting the nonutility rice drying operations. For the year ended August 31, 1957, Tri-Counties Rice, Inc. reported net sales and operating revenues of \$552,976 and net earnings of \$51,556, after deducting depreciation of \$56,851 and interest of \$33,911.

1. Tri-Counties Rice, Inc. may sell and transfer to Pacific Industries, Inc. the properties referred to in this application, under the terms set forth therein, and may assign the ground leases it has with Southern Pacific Company.

2. Pacific Industries, Inc. and Tri-Counties Rice, Inc. may enter into an agreement whereby Pacific Industries, Inc. will lease certain properties to Tri-Counties Rice, Inc., under the terms set forth in this application. Pacific Industries, Inc. may issue its promissory note in the principal amount of not exceeding \$577,920 in acquiring the properties herein authorized to be transferred, and may execute and deliver a chattel mortgage on such properties.

3. Tri-Counties Rice, Inc. and Pacific Industries, Inc. may execute such documents as may be required in order to consummate the foregoing transactions.

4. The authority herein granted is not to be construed to be a finding of the value of the properties herein authorized to be transferred. The operative property to be so transferred shall not be relieved of its devotion to public use and its status as public utility operative property shall remain the same as if the transfer herein authorized had not taken place.

5. Pacific Industries, Inc. shall file a report of the issue of the note herein authorized as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

6. The authority herein granted will become effective when Pacific Industries, Inc. has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$578. This authorization, if not exercised, will expire on December 31, 1958.

Dated at San Francisco, California, this 13th day of May, 1958.

[Signature]
President
[Signature]
[Signature]
[Signature]
Commissioners

