

ORIGINAL

Decision No. 57482

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of

THOMAS L. DEASE, doing business as  
DEASE PACKAGE AND DELIVERY SERVICE  
to transfer his Certificate and  
Public Convenience to DEASE  
DELIVERY SERVICE, a California  
corporation

Application No. 40452

In the Matter of the Application of

DEASE DELIVERY SERVICE, INC.

a California corporation, for a  
permit to issue and sell its  
securities

Application No. 40453

O P I N I O N

In these applications, the Commission is asked to enter its orders (1) authorizing Thomas L. Dease, doing business as Dease Package and Delivery Service to transfer operative rights and equipment to Dease Delivery Service, Inc., a corporation, and (2) authorizing said corporation to incur indebtedness in the amount of \$2,152.37 and to issue \$6,000 par value of capital stock.

It appears that Thomas L. Dease, for some years, had been engaged in business as a permitted carrier and that on July 1, 1958, by Decision No. 56921, he was certificated as a highway common carrier of general commodities between San Diego, on the one hand, and points and places in the San Diego Territory, on the other hand. According to Exhibit C attached to Application No. 40453, his

operations produced revenues of \$66,681.77 in 1957 and net income of \$5,868.34, after making deductions of \$673.95 for depreciation.

The applications now before us indicate that Thomas L. Dease has concluded that the operations can be conducted more advantageously, and additional capital obtained, if a corporate form of organization is employed, and that he has made arrangements for the transfer of his operative rights and equipment to Dease Delivery Service, Inc., a new corporation which he has formed for the express purpose of taking over such rights and equipment and of continuing the operations. The new corporation will acquire the rights and equipment, will issue \$3,000 par value of capital stock and an evidence of indebtedness, designated by applicant as a 5% bond, to Thomas L. Dease in payment, and will sell \$3,000 par value of stock to Clair P. Mallinger at par for cash. The form of indebtedness to be executed, which is set forth in Exhibit B-1 attached to Application No. 40453, will provide for repayment in ten equal annual installments commencing in July, 1959, with interest at the rate of 5% per annum.

The properties to be transferred and the reported cost new and the cost to applicant Dease are set forth in Exhibit D. attached to Application No. 40453, as follows:

	<u>New Cost</u>	<u>Cost to Applicant</u>
Equipment - 8 units	\$17,200.00	\$ 8,440.76
Office furniture and equipment	1,170.00	830.00
Operating franchise	3,500.00	3,500.00
Certificate of public convenience and necessity	<u>1,200.00</u>	<u>1,200.00</u>
Total	<u>\$23,070.00</u>	<u>\$13,970.76</u>

A review of the applications shows that there will be no change in the rates or service as the result of the transfer and we are of the opinion, and so find, that such transfer will not be adverse to the public interest and should be authorized. While it is true that in their exhibits applicants included an allowance of \$4,700 for operating franchise and the certificate of public convenience and necessity, still they are seeking at this time authorization to issue stock and indebtedness to applicant Dease in the aggregate amount of \$5,152.37. In view of the margin between the total claimed values, on the one hand, and the securities to be issued, on the other hand, we find it unnecessary to make a determination of the cost or value of the rights and equipment. At this time, however, we call applicants' attention to Section 820 of the Public Utilities Code, which reads as follows:

"The commission shall have no power to authorize the capitalization of the right to be a corporation, or the capitalization of any franchise or permit, or the right to own, operate, or enjoy any such franchise or permit, in excess of the amount (exclusive of any tax or annual charge) actually paid to the State or to a political subdivision thereof as the consideration for the grant of such franchise, permit, or right. No contract for consolidation or lease shall be capitalized, nor shall any public utility issue any bonds, notes, or other evidences of indebtedness against or as a lien upon any contract for consolidation or merger."

The authorization herein granted shall not be construed as a finding of the value of the rights and equipment nor as a determination that the amounts referred to herein will be accepted as proper bases for an order authorizing the issue of securities.

O R D E R

The Commission having considered the above-entitled matters and being of the opinion that a public hearing is not necessary, that the applications should be granted, as herein provided, that the money, property or labor to be procured or paid for by the issue of the stock and indebtedness herein authorized is reasonably required by applicant corporation for the purposes specified herein, and that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,

IT IS HEREBY ORDERED as follows:

1. Thomas L. Dease may transfer to Dease Delivery Service, Inc., a corporation, the operative rights acquired by him pursuant to authorization granted by Decision No. 56921, dated July 1, 1958, and the equipment as set forth in these applications, such transfer to be made on or before March 31, 1959.

2. Dease Delivery Service, Inc., a corporation, may issue not to exceed \$3,000 par value of its capital stock and a long-term indebtedness for \$2,152.37 in payment for said rights and equipment, and may issue and sell not to exceed \$3,000 par value of capital stock for cash for working capital.

3. On not less than five days' notice to the Commission and to the public, effective concurrently with the consummation of such transfer, applicants shall supplement or reissue the tariffs on file with the Commission naming rates,

rules and regulations governing the operations here involved to show that Thomas L. Dease, doing business as Dease Package and Delivery Service, has withdrawn or canceled and Dease Delivery Service, Inc., a corporation, has adopted or established, as its own, said rates, rules and regulations. The tariff filings made pursuant to this order shall comply in all respects with the regulations governing the construction and filing of tariffs set forth in the Commission's General Order No. 80.

4. Dease Delivery Service, Inc., a corporation, shall file with the Commission a report, or reports, as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

5. This order will become effective when Dease Delivery Service, Inc., has paid the minimum fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$25.

Dated at San Francisco, California,  
this 21<sup>st</sup> day of October, 1958.

T. Lynn Fox  
President  
Robert L. Mitchell  
Robert L. Mitchell  
Theodore J. Jensen  
Commissioners

