

ORIGINAL

Decision No. 60054

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
MERCHANTS REFRIGERATING COMPANY OF
CALIFORNIA for an order authorizing
execution of agreement increasing
rate of interest on certain
promissory notes from 3.8% to 4.05%.

Application No. 42170

OPINION AND ORDER

On April 21, 1960, Merchants Refrigerating Company of California filed the above-entitled application for authorization to execute an agreement increasing the rate of interest on an outstanding note.

Under authorization granted by the Commission by Decision No. 49134, dated September 29, 1953, applicant and its parent company, Merchants Refrigerating Company, a New York corporation, issued a joint and several promissory note to Massachusetts Mutual Life Insurance Company in the principal amount of \$1,500,000, payable on or before June 1, 1971, with interest at the rate of 3.8% per annum. The note has been reduced to \$764,000 as of the end of 1959.

It now appears that Merchants Refrigerating Company is endeavoring to arrange additional borrowings from Massachusetts Mutual Life Insurance Company and that the lender has required, as a condition to the new loan, that the interest rate of the presently outstanding note for \$764,000 be increased

from 3.8% to 4.05% per annum. A copy of an agreement designed to carry out this change has been filed in this proceeding as Exhibit A.

Applicant is engaged in the public utility cold storage business and in other operations in Modesto. According to its latest financial report, it is conservatively financed, having outstanding long-term debt of \$1,379,963 and proprietary capital of \$1,328,448. Its current and accrued assets at the end of 1959 amounted to \$836,590, as compared with current and accrued liabilities of \$221,132. For the year 1959, the company reported gross revenues of \$1,438,759 and net income transferred to profit and loss of \$215,719, an amount which is equivalent to approximately 16% of the end-of-year proprietary capital.

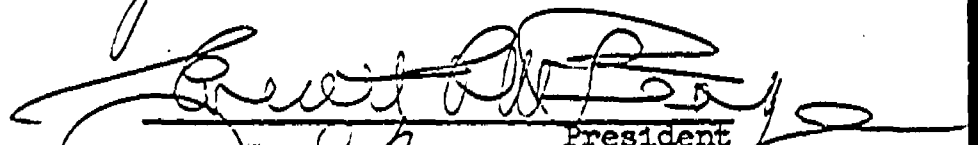
In presenting this matter to the Commission, applicant asserts that it is to its best interests to join in the proposed agreement for the reason that the parent company makes advances to it for working capital and plant improvements and regularly lends its credit to applicant thereby enabling applicant to borrow money under more favorable terms than it could otherwise. The adjustments in the interest rate will increase applicant's annual fixed charges, at the outset, by the amount of \$1,910 and it is clear that the agreement will not interfere with applicant's ability to render public utility service. We find that the execution of the agreement will not be adverse to the public interest and that a public hearing is not necessary, therefore,

IT IS HEREBY ORDERED as follows:


1. Merchants Refrigerating Company of California, on or after the effective date hereof and on or before September 30, 1960, may execute an agreement in, or substantially in, the same form as that filed in this proceeding as Exhibit A.

2. The authority herein granted shall become effective on the date hereof.


Dated at San Francisco, California,
this 9th day of May, 1960.



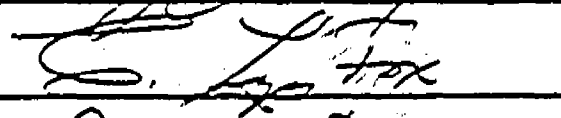
President



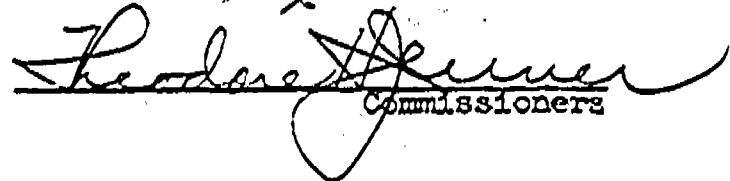
J. E. Mitchell



M. D. Dwyer



E. Lopez



Commissioners