

ORIGINAL

Decision No. 67825

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 SOUTH COAST PACKING COMPANY, INC.,)
 a corporation,)
 for an order authorizing execution)
 of evidence of indebtedness and)
 encumbrance of public utility)
 property.)

Application No. 46900
Filed August 13, 1964

O P I N I O N

This is an application for an order of the Commission authorizing South Coast Packing Company, Inc. to execute a deed of trust and to issue a note in the principal amount of \$375,000.

Applicant is a California corporation operating as a public utility warehouseman in the City of Los Angeles engaged in storing commodities requiring temperature control but not requiring the maintenance of temperatures below 30° Fahrenheit, pursuant to the certificate of public convenience and necessity granted by Decision No. 62898, dated December 5, 1961, in Application No. 43716. The company's annual report to the Commission for the fiscal year ended March 31, 1964, contains a balance sheet indicating assets and liabilities at March 31, 1964, as follows:

Assets

Net warehouse utility plant	\$361,133
Net nonwarehouse plant	181,516
Current and accrued assets	<u>131,948</u>
Total	<u>\$674,597</u>

Liabilities

Common stock	\$ 10,670
Earned surplus	(1,719)
Long-term debt	537,589
Current and accrued liabilities	124,157
Deferred credits	<u>3,900</u>
Total	<u>\$674,597</u>

For the year ended March 31, 1964, such annual report shows operating revenues of \$134,899 and a net loss of \$13,331. By Decision No. 67092, dated April 4, 1964, in Application No. 46063, the Commission authorized applicant to increase certain rates to the same level as those established by a group of competing warehousemen operating in the greater Los Angeles area, which increase is anticipated to result in \$7,728 additional gross revenues per year.

By Decision No. 65377, dated May 14, 1963, in Application No. 45396, the Commission authorized applicant to execute a deed of trust and to issue a \$291,000 note bearing interest at the rate of 6½% per annum, in favor of Manufacturers Bank. Applicant now seeks authority to execute a deed of trust and to issue a note in favor of Surety Savings and Loan Association, which note will be in the principal amount of \$375,000 all repayable two years from its date, and interest only will be payable monthly at the rate of 6½% per annum.

The application shows that the purpose of the proposed \$375,000 borrowing is to provide funds (1) to repay the indebtedness with interest represented by said \$291,000 note, (2) to repay an additional \$12,000 bank borrowing with interest, which borrowing was expended for necessary improvements to applicant's properties, and (3) to finance the expansion and modification of refrigeration equipment, which has been completed, and is resulting in increased efficiency and in the saving of operating costs.

Applicant reports the lender has agreed that at the expiration of the two-year period it will refinance the \$375,000 indebtedness on a 6 $\frac{1}{2}$ % interest basis with the principal to be amortized over a period of 20 years. The company's capital structure is extremely unbalanced and the Commission regards this proceeding as a temporary solution to a precarious financial problem. Applicant is admonished to make a diligent effort to increase substantially its equity ratio during the two-year interval.

The Commission has considered this matter and finds that: (1) the proposed note is for proper purposes; (2) the money, property or labor to be procured or paid for by the issue of the note herein authorized is reasonably required for the purposes specified herein; and (3) such purposes, except for the payment of interest, are not, in whole or in part, reasonably chargeable to operating expenses or to income. On the basis of these findings we conclude that the application should be granted. A public hearing is not necessary.

The authorization granted herein is not to be construed as indicative of amounts to be included in proceedings for the purpose of determining just and reasonable rates, nor is it to be construed as an indication of whether or not the Commission will authorize applicant to refinance in the contemplated manner at such time as the two-year note shall become due.

O R D E R

IT IS ORDERED that:

1. On or after the effective date hereof and on or before December 31, 1964, for the purposes specified herein, South Coast Packing Company, Inc. may issue a note in the principal amount of not to exceed \$375,000 and may execute a deed of trust, which note and deed of trust shall be in the same form, or in substantially the same form, as those attached to the application as Exhibit A and Exhibit B, respectively.

2. Within thirty days after issuing the note herein authorized, South Coast Packing Company, Inc. shall file with the Commission a copy thereof as actually issued.

3. This order shall become effective when South Coast Packing Company, Inc. has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$84.

Dated at San Francisco, California, this 15th day of September, 1964.

Fredrick B. Holdhoff
President
John E. Mitchell
Carroll O. Page

Commissioners

Commissioner George G. Grover, being necessarily absent, did not participate in the disposition of this proceeding.

Commissioner William M. Bennett, being necessarily absent, did not participate in the disposition of this proceeding.

