

ORIGINAL

Decision No. 70698

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application)
of)
))
MERCHANTS REFRIGERATING COMPANY)
OF CALIFORNIA, a corporation,)
))
for an order authorizing it to)
issue its promissory note)
maturing more than twelve months)
after the date thereof.)

Application No. 49418
Filed April 21, 1966

O P I N I O N

This is an application for an order of the Commission authorizing Merchants Refrigerating Company of California to execute a Loan Agreement and Guaranty and to issue a promissory note, or notes, in the aggregate principal amount of not to exceed \$680,000.

Applicant is a California corporation conducting public utility cold storage warehouseman operations and certain nonutility activities in or near the cities of Modesto, Santa Clara and Salinas. The company's balance sheet as of March 31, 1966, attached to the application as part of Exhibit A, shows net current assets of \$1,350,612 and total assets of \$5,137,507. Applicant's long-term debt and common stock equity on said date are shown as \$368,000 and \$4,148,699, respectively. For the year 1965, the corporation reported gross operating revenues of \$2,272,907 and net income amounting to \$348,313.

The company asserts that it is unable to meet the demands of the public in the Modesto area because its existing cold storage facilities are inadequate. Applicant proposes to increase its Modesto facilities by constructing a new building and appurtenances, including engine room equipment, at an estimated cost of \$635,000. The application shows that 146,403 square feet of floor space are dedicated presently to public utility storage at the company's Modesto plant. It appears that approximately 29,000 additional square feet will be available in the new structure which the company intends to have in operation by July 1, 1966.

Applicant reports that it plans also to erect a food processing building at an estimated cost of \$85,000 on land which it owns in the Modesto area. Said building will be leased to a processor of fresh eggs to be quick frozen and stored in applicant's facilities.

In order to defray part of the cost of its proposed construction the company seeks authority to issue a promissory note, or notes, in favor of Wells Fargo Bank in an aggregate principal amount of \$680,000, repayable in ten equal annual installments of \$68,000 each on principal, with interest payable semi-annually at the rate of 6-1/4% per annum. Under the terms of the proposed Loan Agreement and Guaranty, a copy of which is attached to the application as Exhibit B, applicant's parent corporation, Merchants Refrigerating Company, a New York corporation, is designated as guarantor of the proposed note, or notes.

The Commission has considered this matter and finds that: (1) the proposed note, or notes, are for proper purposes; (2) the execution of a Loan Agreement and Guaranty will not be adverse to the public interest; (3) the money, property or labor to be procured or paid for by the issue of the note, or notes, herein authorized is reasonably required for the purposes specified herein; (4) such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income; and (5) the proposed additional floor space is permissible under Section 1051 of the Public Utilities Code without further authorization.

On the basis of the foregoing findings, we conclude that the application should be granted. A public hearing is not necessary. The authority herein granted is for the purpose of this proceeding only and is not to be construed as indicative of amounts to be included in proceedings for the determination of just and reasonable rates.

O R D E R

IT IS ORDERED that:

1. On or after the effective date hereof and on or before September 30, 1966, Merchants Refrigerating Company of California may execute and deliver a Loan Agreement and Guaranty and may issue a promissory note, or notes, in the aggregate principal amount of not to exceed \$680,000 for the purposes specified in this proceeding. Said documents shall be in the same form, or in substantially the same form, as those attached to the application.

2. Merchants Refrigerating Company of California shall file with the Commission a report, or reports, as required by General Order No. 24-B, which order, insofar as applicable, is hereby made a part of this order.

3. This order shall become effective when Merchants Refrigerating Company of California has paid the fee prescribed by Section 1904 (b) of the Public Utilities Code, which fee is \$680.

Dated at San Francisco, California, this 17th day of MAY, 1966.

Frederic B. Holdhoff
President

George T. Proctor

Regulator

William W. Brinnick
Commissioners

