

ORIGINAL

Decision No. 77952

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of	)	
ALCO TRANSPORTATION CO.,	)	
a Corporation, for authorization to	)	Application No. 52265
issue a stock dividend and	)	Filed October 26, 1970
promissory notes.	)	
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O P I N I O N

Alco Transportation Co. requests an order of the Commission authorizing it to issue 4,500 shares of its \$25 par value capital stock, and two notes in the aggregate principal amount of \$122,375.

Applicant is a California corporation operating primarily as a highway common carrier transporting general commodities in the Los Angeles Basin and San Diego Territories and points intermediate thereto. For the year 1969, the carrier reports total operating revenues and net income of \$1,202,279 and \$40,678, respectively. A summary of the company's reported assets and liabilities at August 31, 1970, is as follows:

Assets

Current assets	\$131,723
Tangible property less reserve for depreciation	472,864
Other assets	<u>11,511</u>
Total	<u>\$616,098</u>

Liabilities

Current liabilities	\$102,483
Equipment and other long-term obligations	262,623
Reserves	28,458
Capital stock	37,500
Paid-in surplus	2,500
Earned surplus	<u>182,534</u>
Total	<u>\$616,098</u>

The carrier's outstanding capital stock consists of 1,500 shares having a par value of \$25 each. As a stock dividend, the company proposes to issue an additional three shares of capital stock for each share presently outstanding. In order to effectuate said dividend, applicant would transfer the sum of \$112,500 from earned surplus to its capital stock account.

The application shows that in connection with purchasing certain property which it has leased for nonutility purposes, the carrier issued a \$55,000 note dated August 21, 1968, and secured by a Deed of Trust. The note contemplates that the \$55,000 is repayable in monthly installments of \$582 including interest at the rate of 8% per annum on unpaid principal, with the carrier reserving the right for the first 30 months to make monthly payments of interest only.

In order to meet the \$95,000 purchase price of its terminal, applicant reports that it made a down payment of \$25,000 and issued a \$70,000 unsecured note dated February 5, 1970, and bearing interest payable monthly at the rate of 9-1/2% per annum on unpaid principal. The note contemplates that in the absence of prepayments the \$70,000 principal will be repaid in 16 quarterly installments of \$1,312.50 followed by 16 quarterly installments of \$3,062.50, the presently outstanding balance being \$67,375.

Applicant did not obtain Commission authorization to issue said notes, the carrier stating that its failure to do so was through inadvertence and with no intent to evade the provisions of the Public Utilities Code. In this proceeding the company seeks authority to issue new notes to replace the unauthorized notes.

After consideration the Commission finds that:

1. The proposed stock and note issues are for proper purposes.
2. Applicant, through inadvertence, issued a \$55,000 note and a \$70,000 note for proper purposes without receiving authority to do so from this Commission.
3. Said notes are void under Section 825 of the Public Utilities Code.
4. Applicant's retained earnings from operations exceed the proposed stock dividend to the extent that it may properly issue the stock dividend against such earnings.
5. The money, property or labor to be procured or paid for by the issue of the stock and notes herein authorized is reasonably required for the purposes specified herein, which purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.

On the basis of the foregoing findings we conclude that the application should be granted. A public hearing is not necessary.

O R D E R

IT IS ORDERED that:

1. Alco Transportation Co., on or after the effective date hereof and on or before December 31, 1970, may issue and distribute not exceeding 4,500 shares of its \$25 par value capital stock, at par, in the manner and for the purpose set forth in the application.

2. Alco Transportation Co., on or after the effective date hereof and on or before December 31, 1970, may issue new notes in the principal amounts of not exceeding \$55,000 and \$67,375. The notes shall replace corresponding notes which were issued without Commission authorization, and shall be in the same forms, or in substantially the same forms, as those attached to the application as Exhibit D.

3. Alco Transportation Co. 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.

4. This order shall become effective when Alco Transportation Co. has paid the fees prescribed by Sections 1904(b) and 1904.1 of the Public Utilities Code, which fees are \$246 and \$226, respectively, amounting to a total of \$472.

Dated at San Francisco, California,  
this 24th day of NOVEMBER, 1970.

J. William J.  
Chairman

Thomas J.

William Lyman J.

John J.

Vernon L. Sturgeon  
Commissioners

