

RR/KLH/BB/WPSC

ORIGINAL

Decision 84 06 099

JUN 6 1984

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of VIKING FREIGHT)
 SYSTEM, INC. for Approval and)
 Authority to Increase and Renew)
 Certain Lines of Credit, to issue)
 Promissory Notes, and to Pledge)
 Certain Assets as Collateral)
 Security Thereunder)

Application 84-04-070
 (Filed April 13, 1984)

O P I N I O N

Viking Freight System, Inc., (Viking) requests authority, under Public Utilities (PU) Code Sections 816-830 and 851, for the following:

1. To extend, increase, and renew its Accounts Receivable Line of Credit from \$4,000,000 to \$7,000,000 evidenced by promissory notes, and to pledge its accounts receivable and other collateral as security;
2. To issue new promissory notes in the aggregate principal amount up to \$1,500,000 under a Nonrevenue Equipment Line of Credit for the purchase of equipment and to pledge the equipment as security;
3. To issue new promissory notes in the aggregate principal amount up to \$3,500,000 in connection with the purchase and/or construction of freight terminal facilities and to pledge the real property and improvements purchased or constructed as security;
4. To increase and extend its borrowings under letters of credit from \$500,000 to \$725,000 evidenced by promissory notes and to pledge any equipment obtained through this line of credit; and

5. To be authorized an extension of time to January 1, 1985 to issue promissory notes in the aggregate principal amount up to \$1,000,000 for the purchase of company-owned automobiles.

Notice of the filing of the application appeared on the Commission's daily calendar of April 19, 1984. No protests have been received.

Summary of Decision

This decision grants Viking the authority requested in its application. This authority will expire on June 30, 1985. Information regarding various lines of credit discussed in D.83-08-020 dated August 3, 1983 as amended by D.83-10-025 dated October 5, 1983 in Application (A.) 83-05-34 are incorporated herein by reference.

Viking, a California corporation, operates as a highway common carrier of general commodities subject to the jurisdiction of this Commission. Viking holds a certificate of public convenience and necessity issued under PU Code Section 1063 to engage in the business of providing pickup and delivery service for commercial freight throughout California under File T-84649. In addition, Viking operates as an interstate common carrier of general freight between California, Nevada, Arizona, Oregon, and Washington and by interline operations serving the eastern half of the United States, Hawaii, Alaska, and Canada.

For the calendar year 1983, Viking reports it generated total operating revenues of \$79,821,000 and a net income of \$739,000 shown as part of Exhibit A attached to the application.

Also shown as part of Exhibit A is Viking's Balance Sheet as of December 31, 1983 summarized as follows:

<u>Assets</u>	<u>Amount</u>
Net Operating Equipment	\$48,165,000
Current Assets	15,953,000
Other Assets	<u>1,396,000</u>
Total	\$65,514,000

<u>Liabilities and Equity</u>	
Common Equity	\$33,579,000
Long-Term Debt	16,870,000
Current Liabilities	10,016,000
Other Liabilities	<u>5,049,000</u>
Total	\$65,514,000

Amended and Restated Credit Agreement

The application indicates that as of January 1, 1984, Viking executed an Amended and Restated Credit Agreement (Restated Agreement), attached to the application as Exhibit D, with Crocker National Bank (Crocker) and Golden State Sanwa Bank (to be collectively referred to as the Banks). The Restated Agreement increased and extended certain lines of credit

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previously granted to Viking by the Banks in connection with a Credit Agreement dated April 14, 1982, as amended. That agreement provided for the conversion of certain amounts borrowed thereunder into long-term promissory notes and the pledge of collateral security in connection with these borrowings. This Commission has previously approved transactions made in connection with that Credit Agreement by the Commission's D.82-08-020 dated August 3, 1983, as amended by D.83-10-025 dated October 5, 1983 in A.83-05-34, as amended. The Restated Agreement provides for certain changes in the existing line of credit as set forth below and in the application.

Increase and Renewal of Accounts Receivable Line of Credit

The Restated Agreement extends the Accounts Receivable Line of Credit to July 1, 1985 and increases that line from \$4,000,000 to \$7,000,000, a net increase of \$3,000,000. Viking requests that the Commission approve the extension and the increase. New promissory notes will be issued to evidence this loan, the proceeds of which will be used for working capital.

Revenue Equipment Line of Credit

The Restated Agreement provided that sums outstanding under the New and Used Revenue Equipment Lines of Credit would be converted into long-term notes on January 1, 1984. Accordingly, the company has delivered to the Banks long-term promissory notes dated January 1, 1984, for an aggregate principal amount of \$4,914,314.60.

In place of the New Revenue Equipment and Used Revenue Equipment Lines of Credit, the Restated Agreement provides for a single Revenue Equipment Line of Credit of \$5,000,000 expiring January 1, 1985. The credit line will finance the purchase of new revenue equipment. Public Utilities Code Section 816.5 provides that the execution of a note or chattel mortgage with respect to motor vehicle equipment does not require Commission approval; therefore, no recommendation is provided herein in regards to this loan and line of credit.

Nonrevenue Equipment Line of Credit

In accordance with the terms of the New and Used Non-revenue Equipment Lines of Credit as set forth in the Revised Agreement, and as previously approved by the Commission, Viking executed and delivered to the Banks two long-term promissory notes

for an aggregate principal amount of \$1,377,049.90 on January 1, 1984, thereby converting amounts outstanding under those lines of credit into long-term indebtedness. In addition to that sum, the Restated Agreement provides for a Nonrevenue Equipment Line of Credit for \$1,500,000 expiring on January 1, 1985. Advances made under this line will be secured by Viking's nonrevenue equipment and may be converted into a term loan prior to the credit line's expiration. The funds provided by this line of credit will facilitate the acquisition by Viking of nonrevenue equipment Viking requires to conduct its current operations. Any equipment, purchased under this line of credit and the promissory notes issued to evidence the long-term indebtedness, will be pledged as security for the loans.

Real Property Acquisition Loan

The Restated Agreement provides that Viking may borrow from Crocker up to \$3,500,000 to finance the purchase and/or construction of freight terminals in Phoenix, Arizona, and in Sacramento and San Luis Obispo, California (the Terminals). Crocker's commitment to make these loans will continue to December 31, 1984. The loans, if made, will be for a term of five

years. Repayment of the loan together with the accrued interest, will be based on a 15-year amortization schedule. At the end of five years, the outstanding principal and accrued interest will become due and payable.

Depending on prevailing interest rates at the time long-term financing is required for the Terminals, the company may obtain the financing from lenders other than Crocker. The alternative sources of financing would be used only if the applicable rates, terms, and conditions were at least as favorable as those available from Crocker. Viking requests authorization to borrow up to \$3,500,000 to finance, on a long-term basis, the purchase or construction of the Terminals. The buildings and improvements purchased will be pledged to secure the promissory notes issued to secure this financing.

Line of Credit for Letters of Credit

The Commitment Letter dated December 30, 1983 attached to the application as Exhibit E provides for a commitment by Crocker to issue letters of credit up to \$725,000 through January 1, 1985. Previously, the ICC has approved the issuance of these letters of credit up to \$500,000 through December 31, 1983. Viking requests that the Commission authorize this extension and increase.

The Bus Regulatory Reform Act of 1982, enacted by Congress on November 20, 1982, deregulated certain areas of the trucking industry and, as a result, ICC approval of the actions described here and in the application is not necessary. The Commission took jurisdiction over the letters of credit in D.83-08-020 dated August 3, 1983, as amended by D.83-10-025, dated October 5, 1983 in A.83-05-34, as amended, and the issuance of any promissory notes issued under PU Code Section 816 through 830 and 851. Any nonrevenue equipment purchased will be used as collateral for the promissory notes.

Revolving Line of Credit for Company-Owned Automobiles

Crocker has agreed to extend until January 1, 1985, its commitment to loan Viking up to \$1,000,000 in connection with the purchase of company-owned automobiles. As stated earlier, this commitment would have expired on December 31, 1983, but was extended under Crocker's Commitment Letter dated December 30, 1983. Viking requests that the Commission expressly authorize and approve this extension of time.

Viking believes that each of the foregoing actions is necessary to maintain adequate levels of working capital and to meet the company's anticipated needs in the near future.

The Commission's Revenue Requirements Division has reviewed Viking's application and has no objection to granting the authority to extend, increase, and renew Vikings prior promissory notes or the issuances of new promissory notes as well as the increase and extension of the company's financings under letters of credit and the Commitment Letter. No objection is taken to the Restated Agreement or the pledging of appropriate company assets as security.

The application requests authority to issue new Non-revenue Equipment promissory notes in the aggregate principal amount of \$1,500,000 and new promissory notes for the purchase and/or construction of freight terminals in the amount of \$3,500,000 or a combined total of \$5,000,000 on which a fee of \$6,000 is computed. In addition, authority is requested to increase financing for working capital by \$3,000,000 and letters of credit by \$225,000 on which the fee of \$1,612.50 applies for the combined total of \$7,612.50 as set by PU Code 1904(b).

Findings of Fact

1. Viking, a California corporation, operates as a highway common carrier of general commodities subject to the jurisdiction of this Commission.

2. Viking needs external funds for the purposes set forth in the application.

3. The new proposed Debt Securities and the increase, extension, and renewal of present ones would be for proper purposes.

4. The money, property, or labor to be procured, or paid for, by the proposed promissory notes and letters of credit is reasonably required for the purposes specified in the application.

5. There is no known opposition to this proceeding and no reason to delay granting the authority requested.

Conclusions of Law

1. A public hearing is not necessary.

2. The application should be granted to the extent set forth in the order which follows.

The proposed Debt Securities are for lawful purposes and the money, property, or labor to be obtained by them is required for these purposes. Proceeds from the promissory notes may not be charged to operating expenses or income.

The following order should be effective on the date of signature and payment of the fee set by PU Code Section 1904(b) to enable Viking to issue its securities expeditiously.

ORDER

IT IS ORDERED that:

1. Viking Freight System, Inc., (Viking) may issue promissory notes and increase the amount from that previously authorized from the aggregate principal amount of \$4,000,000 to \$7,000,000 for working capital. Viking may pledge its accounts receivable as collateral security for the repayment of its proposed promissory notes. This authority expires July 1, 1985.

2. Viking may issue new promissory notes in an aggregate principal amount up to \$1,500,000 for the purchase of nonrevenue equipment. Viking may pledge the equipment purchased under the Nonrevenue Equipment Line of Credit as collateral security. This authority expires July 1, 1985.

3. Viking may issue new promissory notes for an aggregate principal amount up to \$3,500,000 in connection with the purchase and/or construction of freight terminal facilities in Phoenix, Arizona, and in Sacramento and San Luis Obispo, California. Viking may pledge as collateral security the real property and improvements purchased and/or constructed. This authority expires July 1, 1985.

4. Viking may increase and extend its borrowings under letters of credit from \$500,000 to \$725,000 evidenced by promissory notes and may pledge any equipment purchased through this line of credit as security. This authority expires July 1, 1985.

5. Viking may issue promissory notes for an aggregate principal amount up to \$1,000,000 aggregate principal amount for the purchase of company-owned automobiles. This authority expires July 1, 1985.

6. Viking shall use the net proceeds from the proposed issuance of promissory notes and letters of credit for the purposes set forth in the application.

7. Viking shall file the reports required by General Order Series 24.

8. The application is granted as set forth above.

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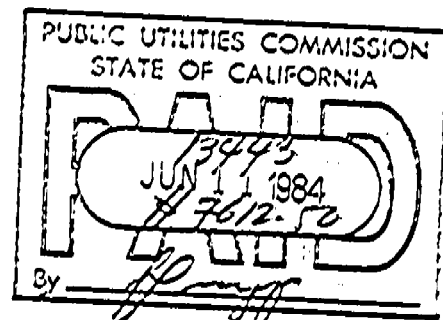
The authority granted by this order to issue promissory notes will be effective when Viking pays \$7,612.50, the fee set by PU Code Section 1904(b). In all other respects, this order is effective today.

Dated JUN 6 1984 at San Francisco, California.

LEONARD M. GRIMES, JR.
President

VICTOR CALVO
DONALD VIAL
WILLIAM T. BAGLEY
Commissioners

Commissioner Priscilla C. Crow,
being necessarily absent, did
not participate



I CERTIFY THAT THIS DECISION
WAS APPROVED BY THE ABOVE
COMMISSIONERS BODY.

Joseph E. Bedovitz
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Joseph E. Bedovitz, Executive Director

5. To be authorized an extension of time to January 1, 1985 to issue promissory notes in the aggregate principal amount up to \$1,000,000 for the purchase of company-owned automobiles.

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