

ORIGINAL

Decision 82 12 07S DEC 15 1982

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of VIKING FREIGHT)
SYSTEM, INC. for Approval and)
Authority to Assume Liability)
for Industrial Development)
Revenue Bonds and to Pledge)
Certain of its Assets.)

Application 82-11-01
(Filed November 1, 1982;
amended December 8, 1982)

O P I N I O N

Viking Freight System, Inc. (Viking) seeks authority,
to:

1. Enter into loan agreements (Loan Agreements) with the Cities of Modesto, Petaluma and San Diego, California. Viking will agree unconditionally to make payments to each city sufficient to provide for the payment of principal and interest to become due on the Industrial Development Revenue Bonds (Bonds) issued by each city on Viking's behalf.
2. Pledge the real property to be purchased and improvements to be constructed with the proceeds of the Bonds to the Trustee for the holders of the Bonds as security for the Bonds, under the Indenture of Trust which each city will enter into with Security Pacific National Bank, as trustee and to Crocker National Bank to secure the letters of credit to be issued by it as additional security for the bonds.

Authority is sought under Public Utility (PU) Code Sections 816 through 830 and 851. Notice of the filing of the application and the amendment thereto appeared on the

Commission's Daily Calendar of November 3, 1982 and December 10, 1982 respectively. No protests have been received.

An in lieu certificate of public convenience and necessity authorizing Viking to engage in operations as a highway common carrier throughout a substantial part of the State of California was granted by Decision 91598 on April 15, 1980 in Application 59185. The certificate is also the subject of a coextensive Certificate of Registration, issued by the Interstate Commerce Commission, under its Docket MC-129183 authorizing Viking to engage in the transportation of property moving in interstate and foreign commerce. Viking also operates as an intrastate highway permitted carrier more fully described in File T-94649. Viking is currently authorized by this Commission to serve all major locations between Eureka and San Diego.

For the six months ended June 30, 1982, Viking generated total operating revenues of \$26,853,000, and net income of \$1,296,000 shown as part of Exhibit A attached to the application.

The application, as amended, states that Viking, in order to continue to provide adequate service to its customers and to upgrade existing facilities in Modesto, Petaluma and San Diego, plans to use proceeds received from the proposed

issuance of Bonds for the purpose of constructing new freight terminals in each of those cities.

Each terminal will be located on 5 to 7 acres of real property and when complete, will consist of a paved area, a covered loading dock, an office and a shop building.

To finance the construction of these facilities, Viking seeks authority to enter into loan agreements: (a) with the City of Modesto in the amount of not to exceed \$2,000,000; (b) with the City of San Diego in the amount of \$3,000,000; and (c) with the City of Petaluma in the amount of \$1,400,000. Viking will undertake to repay each city for money advanced to it. Viking will be loaned the proceeds of the Bond offering to be sold by each city. It is anticipated that the interest rates on the bonds will be between 7% and 10-1/2% per annum.

It is anticipated that the bonds will be sold in a public offering and will be secured by deeds of trust on the real property and by letters of credit from Crocker National Bank. The pledge of the real property will also secure Crocker National Bank's obligation on the letters of credit. The total underwriting commission to be paid in connection with the offering of all of the bonds is estimated to be between \$256,000 and \$288,000. Other fees (including legal, printing and rating agency fees) are estimated to be approximately \$188,000.

The bonds to be issued by the Cities of Petaluma and San Diego (the San Diego and Petaluma Bonds) were originally described in an application filed with the Commission on September 28, 1982. The transactions in which the Petaluma and San Diego Bonds will be issued are substantially identical to the transaction in which the City of Modesto will issue the Bonds. Pursuant to Decision 82-05-062, dated May 17, 1982, the Commission authorized Viking to issue securities upon the approval of the Interstate Commerce Commission (ICC) without the express authorization of the Commission so long as a copy of the ICC application is filed with the Commission and Viking does not receive an objection to the transaction contemplated by the ICC application within 21 days after filing such application with the Commission. The September application was filed with the ICC, and the ICC has entered an order approving the September application. By virtue of Decision 82-05-062, the September application and the Commission's having filed no objection to the September application, the Commission approved the transaction described in the September application.

Pursuant to the September application, Viking was authorized to assume liability for the Petaluma and San Diego Bonds in an aggregate of not to exceed \$4,125,000. Viking's actual costs and expenses have increased over those set forth in

the September application, and hence, the total amount of the Petaluma and San Diego Bonds has increased to an aggregate of \$4,400,000, an increase of \$275,000. Recent federal legislation (the Bus Regulatory Reform Act of 1982, effective November 20, 1982) has deregulated certain areas of the trucking industry and provides that ICC approval is no longer required for the issuance of securities or the assumption of liabilities by motor carriers, including Viking. The amendment to the application states that because of this legislation, the ICC will not amend its order approving the September application to increase the total liability which Viking may assume pursuant to the San Diego and Petaluma Bonds. Because Viking's exemption from the need for express authorization from the Commission for the Petaluma and San Diego transactions depends upon ICC approval of such transactions, Viking requires authorization of the Commission to increase its liability on the San Diego and Petaluma Bonds by \$275,000.

Copies of the final Loan Agreements and Indentures of Trust (the proposed forms are attached to the application as Exhibits B and C) will set forth the final terms of the sale, and will be submitted when available.

The Transportation Division and the Revenue Requirements Division have reviewed the proposed transactions and

conclude that the authority requested is reasonable and is not adverse to the public interest. The Divisions, however, reserve the right to reconsider the reasonableness of any specific construction expenditure in future rate proceedings.

Findings of Fact

1. Viking, a California corporation, operates as a highway common carrier under the jurisdiction of this Commission.
2. Viking has need for external funds for the purposes set forth in the application.
3. The proposed assumption of liability and pledge of assets are for proper purposes.
4. The money, property, or labor to be procured or paid for by the issue of the evidence of indebtedness is reasonably required for the purposes specified in the application.
5. There is no known opposition 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 authorizations granted by this order are for the purposes of this proceeding only and are not to be construed as indicative of amounts to be included in proceedings for the

determination of just and reasonable rates. Viking indicates in its application that it is imperative that the sale of the proposed bonds be accomplished by December 31, 1982.

The following order should become effective on the date of signature to enable Viking to issue the evidence of indebtedness and to proceed with the planned construction expeditiously.

O R D E R

IT IS ORDERED that:

1. Viking Freight System, Inc., (Viking) on or after the effective date of this order, may enter into the Loan Agreements with the Cities of Modesto, Petaluma and San Diego under which Viking will agree unconditionally to make payments to such cities sufficient to provide for the payment of principal and interest to become due on the Industrial Development Revenue Bonds issued by such cities on Viking's behalf.

2. Viking on or after the effective date of this order may pledge the real property to be purchased and improvements to be constructed with the proceeds of the Industrial Development Revenue Bonds to Crocker National Bank and to the Trustee for the holders of the Industrial Development Revenue Bonds, under the

Indenture of Trust which each of the cities will enter into with Security Pacific National Bank, as trustee.

3. Viking shall use the net proceeds from the proposed issuance of Industrial Development Revenue Bonds for the purposes set forth in the application.

4. Promptly after Viking ascertains the terms of the financing available to it in connection with the Loan Agreements and the interest to be paid by each city on the bonds, the utility shall notify the Commission of each in writing.

5. As soon as available, Viking shall file with the Commission a copy of each of its final Loan Agreements with each of the cities.

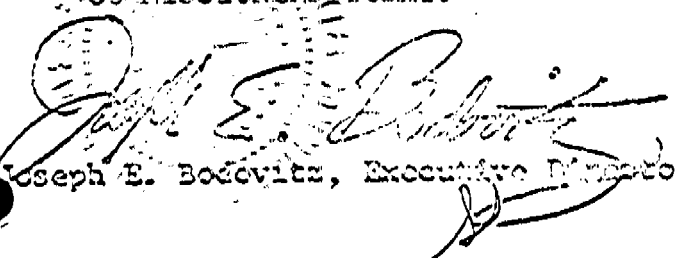
6. Viking shall file with the Commission a report, or reports, as required by General Order 24, which order, as far as applicable, is made a part of this order.

7. This order shall become effective when Viking has paid the fee prescribed by PU Code Section 1904.1 which fee is \$7,400.

Dated DEC 15 1982, at San Francisco, California.

JOHN E. ERYSON
President
RICHARD D. GRAVELLE
LEONARD M. GRIMES, JR.
VICTOR CALVO
PRISCILLA C. GREW
Commissioners

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


Joseph E. Bodovitz, Executive Director

