

A.59583 RR/mcm *

ORIGINAL

Decision No. 91722 APR 29 1980

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)	
System 99)	
For authority to enter into an amended)	Application No. 59583
and restated credit agreement secured)	(Filed April 10, 1980)
by its accounts receivable and equipment)	
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O P I N I O N

System 99, pursuant to Sections 816 through 830 of the Public Utilities Code seeks authority (a) to enter into a restated credit agreement, secured by its accounts receivable and equipment and (b) to enter into a continuing guaranty of System 99's liability under that line of credit arrangement.

Notice of the filing of the Application appeared on the Commission's Daily Calendar of April 11, 1980.

System 99 is a California corporation engaged in the transportation of general commodities by motor vehicle in California intrastate commerce under authority granted by Decision No. 88376, dated January 17, 1978, in Application No. 56660 (File T-46,300). System 99 also operates in interstate commerce under authority granted by the Interstate Commerce Commission in Docket No. MC-98327.

Approximately 20 percent of System 99's revenue is from California intrastate operations, and approximately 76 percent is interstate freight between California, Oregon, Washington, Nevada, Idaho, Utah, Montana, Arizona, New Mexico and Texas. The remaining four percent is Oregon and Nevada intrastate operations.

System 99 operates approximately 4,000 units of revenue equipment over approximately 40,000,000 miles annually, and has 40 freight terminals of which 17 are in California. Its consolidated operating revenues and net loss for the year ending December 31, 1979 were \$88,591,424 and (\$100,707), respectively.

System 99 proposes to enter into an agreement with Security Pacific National Bank (Bank) whereby the Bank will make available to System 99, an initial restated line of credit for \$14,500,000 and provisions to increase this amount up to a maximum credit of \$25,000,000 according to the Amended and Restated Credit Agreement shown as Attachment No. 1, to the Application.

Interest will be payable monthly to the Bank based on a fluctuating rate equal initially to one percent in excess of the Bank's prime rate for borrowings under the equipment financing line of credit, and initially one and one-half percent over prime for borrowings secured by receivables.

Details of the security given to the Bank to guarantee repayment of amounts borrowed under this restated line of credit appear in paragraph 2 of the Security Agreement attached as Exhibit C to the application.

Under the terms of the agreement the line of credit with the Bank will be secured by the company's revenue and terminal equipment, and the company's account receivables.

The purpose of this restated line of credit is to provide System 99 with current working capital on an immediate basis to meet ordinary expenses such as payroll, fuel, maintenance, supplies and rent. As interest rates have increased over the last year, System 99's customers have taken longer to pay their freight charges. The new line of credit will enable the company to transform accounts receivable into cash, thus providing working capital and flexibility. Also, System 99 will not be burdened with unnecessary debt, and can repay the funds at anytime during the loan period without incurring a prepayment penalty.

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System 99's balance sheet at December 31, 1979, as shown in its Annual Report to the Commission is summarized as follows:

<u>Assets</u>	<u>Amount</u>
Carrier operating property less accumulated depreciation	\$20,140,989
Intangible property, investments	5,092,724
Current Assets	
Cash, deposits	\$1,507,271
Accounts receivable (net)	7,534,530
Other current assets	<u>2,757,830</u>
Deferred charges	<u>220,270</u>
Total assets	<u>\$37,253,614</u>
 <u>Liabilities and Common Equity</u>	
Common equity	\$ 4,640,264
Long-term debt	18,814,689
Current liabilities	12,772,914
Deferred credits	<u>1,025,747</u>
Total liabilities and common equity	<u>\$37,253,614</u>

The Revenue Requirements Division has reviewed the application and concludes that System 99's request should be granted.

Findings of Fact

1. System 99 is a California corporation, both certificated and permitted as a highway carrier of property subject to the jurisdiction of this Commission.

2. System 99 has an immediate need for increased liquidity or cash with which to meet current operating expenses. Because of such need, the effective date of this order should be the date it is signed.

3. System 99 proposes to enter into a restated line of credit agreement for \$25,000,000 with Security Pacific National Bank.

4. System 99 proposes to pledge its equipment and accounts receivable as security for the repayment of amounts borrowed under this restated line of credit agreement.

5. The rates charged System 99 for amounts borrowed, initially one percent in excess of prime for amounts secured by equipment, and one and one-half percent in excess of prime for amounts secured by accounts receivable, are reasonable.

6. The proposed Amended and Restated Credit Agreement and the Security Agreement are not adverse to the public interest.

7. There is no known opposition and no reason to delay granting the authority requested.

8. The money, property or labor to be procured or paid for by the loan agreement herein authorized is reasonably required for the purpose specified herein, which purpose is not, in whole or in part, reasonably chargeable to operating expenses or income.

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 authority granted by this decision 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 December 31, 1980 for the purpose specified in the application, System 99 may enter into, issue and deliver to Security Pacific National Bank an Amended and Restated Credit Agreement for a line of credit up to a maximum of \$25,000,000.

2. On or after the effective date hereof and on or before December 31, 1980, for the purpose specified in the application, System 99 may execute a Security Agreement, in substantially the same form as Exhibit C attached to the application to encumber its revenue and terminal equipment, and accounts receivables as security for repayment of amounts borrowed under such Amended and Restated Credit Agreement.

X The effective date of this order is the date hereof.

Dated APR 29 1980, at San Francisco, California.

SS

John E. Burton
President

Richard D. Howell

David T. ...

Arnold M. ...
Commissioners

Commissioner Vernon L. Sturgeon, being necessarily absent, did not participate in the disposition of this proceeding.