

Decision No. 37716

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)	
of DELTA WAREHOUSE COMPANY, a cor-)	
poration, HASLETT WAREHOUSE COMPANY,)	Application No. 26432
a corporation, and HASLETT-STOCKTON)	
WAREHOUSE, a partnership, for an)	
increase in warehouse rates.)	

BY THE COMMISSION:

Reginald L. Vaughan, for applicants.

O P I N I O N

Applicants conduct public utility warehouse operations at Stockton. They seek authority to increase handling and accessorial service rates and charges; to unify tariff rules and regulations; and to cancel rates for storage and accessorial services which are no longer used.

A public hearing was held at Stockton on January 25, 1945, before Examiner Mulgrew.

The most important of the increases involved are those for the services of handling beans and grain into and out of the warehouses. For the handling of beans, Delta and Haslett now charge \$1 per ton; Haslett-Stockton charges \$.80. All of them propose to charge \$1.20. For the handling of grain, all three now charge \$.60 and propose to charge \$1.

The aforementioned rates do not include storage. Separately stated monthly and season storage rates are not proposed to be changed. ¹ For accessorial service for which specific rates are not

¹ Using the rates for one season's storage the proposed increases for the combined storage and handling service range from 8 to 25 per cent. As the storage period increases the proposed rate increases in terms of per cent decrease.

provided, applicants propose a rate of \$1.25 per man per hour. The present rates are \$1 at Delta and Haslett warehouses and 75 cents at Haslett-Stockton warehouse. Haslett-Stockton also seeks authority to increase its handling rate on wool from 15 to 25 cents per bag; its minimum storage charge from 15 cents to 25 cents; and its minimum monthly storage charge from 75 cents to \$1.

It is represented that revenues derived from the present rates are not returning operating costs and that the sought increases are necessary to permit applicants to maintain service. Hourly wages, the record shows, are at least 100 per cent higher than they were prior to 1935. The present rates, with the exception of a 20-cent increase for handling charges on beans established in 1937, have been in effect for 25 years.

A consulting engineer retained by applicants introduced a study covering the utility operations of Delta warehouse for the fiscal year ended May 31, 1944. Delta also engages in certain non-utility operations including the milling of grain and the cleaning of grain and beans. The study which is summarized below reflects the warehousemen's book figures with allocations where required to give recognition to both utility and nonutility operations.

Revenues:		
Grain Storage	\$32,947	
Bean Storage	15,442	
Sack Storage	2,924	
Reconditioning	<u>748</u>	
Total		\$52,061
Expenses:		
Direct Labor	\$31,157	
Administration	7,778	
Depreciation	2,543	
All other	<u>17,373</u>	
Total		\$58,851
Loss		\$ 6,790

The necessary allocations, the engineer said, were made after a study of operating methods of applicants and reflect his judgment based on many years of experience in warehouse and other utility cost finding. Where feasible, he allocated costs to the warehouse operation on the basis of the percentage which warehouse labor expense bore to total labor expense.

Detailed studies of the operations of the other two applicants were not introduced. The consulting engineer testified that Delta handled more than 91 per cent of the total public storage of beans and grain in the Stockton area during the 1943-44 season and, he estimated, would handle more than 98 per cent during the 1944-45 season. The remainder, consisting entirely of grain, has been handled by Haslett-Stockton. Most of the space operated by Haslett-Stockton and all of Haslett's facilities are now used for the storage of property for the federal government.

The engineer stated that cost figures were not available for the Haslett-Stockton grain storage chiefly because it had not segregated even such basic costs as labor expense between grain and other storage. He said, however, that he had made a survey of the facilities of all of the applicants for storage of the commodities in question and that based on this survey he was convinced that Haslett-Stockton and Haslett costs would not differ appreciably from those developed from Delta's experience. Applicants' proposed rate increases are said to be designed to enable them to meet normal storage demands under uniform rates reflecting costs necessarily incurred in providing service.

Based upon Delta's 1943-44 experience, the engineer estimated annual net earnings under the proposed rates as \$2,631, producing

a 2.3 per cent return on its depreciated rate base of \$113,937.² During that fiscal year the volume of storage was shown to have been in excess of that enjoyed in prior years and storage space was said to have been used to its maximum practicable capacity.

A rate and tariff expert retained by applicants introduced statements which show that the proposed rates on grain are generally lower than grain rates paid by agencies of the United States Department of Agriculture for country storage and lower than OPA ceiling storage prices for Idaho, Oregon and Washington.

The witness also testified that applicants' proposed increase for accessorial services for which rates are not specifically provided was intended to reflect the higher wages paid for warehouse labor. The proposed increase in the Haslett-Stockton minimum storage and wool handling rates, he said, would effect uniformity with similar rates of Delta and Haslett. He indicated that there had been little demand for these services and that their contribution to applicants' revenues would be slight.

In regard to the rates proposed to be canceled, the witness said that potatoes, onions, seeds and sugar had not been stored, and grain had not been piled, during the past year under the conditions stated in applicants' tariffs. He said, moreover, that it was not anticipated that these rates would again be required.

The existing rules and regulations, it was pointed out, are not uniform and, to some extent, not consistent with current operations. Standardized practices are said to be important to the

² The rate base is made up of \$62,845 and \$4,116, the depreciated value of the buildings and equipment, respectively, used in utility operations; \$18,760, the value of the land used in these operations; \$62 for office furniture and fixtures; and \$28,154 for working capital. The working capital figure represents 1/2 of annual utility expenses, less depreciation.

stabilization of applicants' operations.

Granting of the application was not opposed. Although notified of the hearing, shipper interests and the Office of Price Administration did not participate therein. The record shows that applicants gave the Office of Price Administration the required 30 days' notice of the filing of their application with the Commission and consented to that office's intervention in this proceeding.

It is evident that, in so far as Delta is concerned, authorization of the proposed rate increases is necessary to avoid impairment of essential storage service. The rates proposed cannot reasonably be expected to return Delta more than a small profit. It is clear that to withhold authority from Delta to make the sought increases would result in substantial hardship by preventing the adjustment of inequitable rates. The situation of Haslett and Haslett-Stockton, however, differs from that of Delta. Specific data have not been submitted relative to their current expenses and operating experience. Although it is claimed that had their costs been developed they would approximate Delta's, the record does not demonstrate that this would be the case. The showing made in regard to these applicants does not justify the granting of the proposed increases.

The proposed establishment of uniform rules and regulations is based largely on rate uniformity. In view of our conclusion with respect to rates, this proposal does not appear justified. The cancellation of the rates no longer used appears warranted for the reasons advanced.

Upon consideration of all the facts of record we are of the opinion and find that the establishment by Delta of the proposed increased rates has been justified. We are of the further opinion and accordingly find that the cancellation of the unused rates by all applicants has also been justified. If applicants desire to offer

additional evidence in support of the proposals found not justified, a further hearing will be scheduled upon receipt of advice that they are prepared to make specific showings relative thereto.

O R D E R

A public hearing having been had in the above entitled application and based upon the evidence received at the hearing and upon the conclusions and findings set forth in the preceding opinion,

IT IS HEREBY ORDERED that applicant Delta Warehouse Company, a corporation, be and it is hereby authorized to establish the rates proposed in the above entitled application.

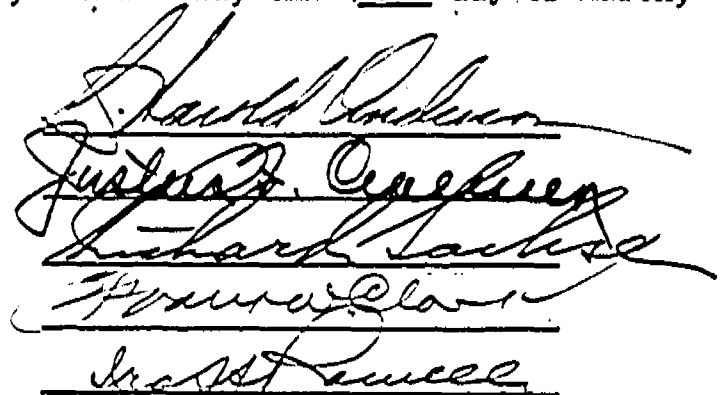
IT IS HEREBY FURTHER ORDERED that applicants be and they are hereby authorized to cancel rates no longer used, which rates are specifically set forth in the above entitled application.

IT IS HEREBY FURTHER ORDERED that the rates, charges, rules and regulations hereinbefore authorized may be effective on not less than ten (10) days' notice to the Commission and to the public.

The authority herein granted is void unless exercised within ninety (90) days of the effective date hereof.

The effective date of this order shall be twenty (20) days from the date hereof.

Dated at San Francisco, California, this 13th day of March, 1945.


Commissioners.