

ORIGINAL

Decision No. 39857

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 WESTERN COMPRESS COMPANY for an)
 Order Authorizing Increases in Rates) Application No. 27951
 on Less than Thirty Days' Notice.)

Appearances

Ray J. Coleman, L. J. Brungs, and I. E. Blohm,
 for applicant.
L. H. Stewart, for San Joaquin Warehouse & Compress
 Company, interested party.

O P I N I O N

By this application Western Compress Company, a corporation engaged in the business of compressing and warehousing cotton at Fresno, Tulare and San Pedro, seeks authority to establish increased rates and charges for the storage of cotton and related services.

Public hearing was had before Examiner Bryant at Los Angeles on November 8 and 18, 1946, and additional evidence was submitted on November 27. The matter is ready for decision.

Applicant declared that increases in operating costs accompanied by decreases in operating revenues had brought about need for increases in its rates. The increases in operating costs were attributed principally to increases in wages for labor which applicant said have risen from a minimum of 40 cents per hour for the fiscal year 1938 to 88 cents for the fiscal year 1946.¹ It was stated that a minimum wage rate of \$1.05 per hour has been established under terms of a labor agreement negotiated for the 1947 season. Revenues have

¹ Applicant maintains its records on the basis of fiscal periods ending with July 31 of each year. Each cotton season commences in the fall of one year and ends in the succeeding spring.

declined because of decreases in the number of bales of cotton handled. Figures submitted indicate that applicant handled only 147,745 bales of cotton in the 1945-46 season as compared to 344,916 bales handled in the 1937-38 season. It was expected that volume for the fiscal year 1947 would be about the same as that for 1946. Applicant stated that notwithstanding the increased operating costs and decreased revenues it has effected only one minor increase in its tariff rates since they were first established in 1937.

According to financial figures of record, the company's public utility operations, for the nine-year period ended July 31, 1946, resulted in a total loss of \$102,078 after income taxes or an average annual loss of \$11,342.² Public utility operating results for each of the latest five fiscal years were as follows:

	<u>Fiscal Year Ending July 31</u>				
	1942(a)	1943	1944	1945	1946
Operating Revenues	\$472,549	\$264,817	\$292,483	\$317,470	\$281,805
Operating Expenses:	\$418,538	\$240,547	\$268,082	\$238,333	\$360,819
Depreciation	65,552	53,877	54,163	54,273	57,163
State and Local Taxes	29,858	12,486	11,329	12,246	15,865
Federal Taxes	15,233	4,474	4,622	7,859	3,909
Total Expenses	<u>\$529,181</u>	<u>\$311,384</u>	<u>\$338,196</u>	<u>\$312,711</u>	<u>\$437,756</u>
NET OPERATING REVENUE	(<u>\$ 56,632</u>)	(<u>\$ 46,567</u>)	(<u>\$ 45,713</u>)	\$ 4,759	(<u>\$155,951</u>)

(a) 13 months ended July 31, 1942.

() Indicates loss.

Allowing for anticipated resumption of operations at San Pedro, applicant estimated that for the 1947 fiscal year its public utility revenues

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In reporting financial figures covering its public utility operations, applicant excluded operating results from compressing and recompressing of cotton at the locations herein involved and from the operation of a cotton compress and warehouse at Phoenix, Arizona. It also excluded revenues and expenses assignable to the plant at San Pedro during suspension of public utility operations at that point from April 4, 1942 to January 1, 1947.

would be \$403,494 under present rates, its expenses would be \$564,408 and net operating loss would be \$160,914. Applicant believed that its 1947 public utility operations would result in losses even though the rate increases herein sought are authorized. Basing estimates upon operations for the two fiscal years 1945 and 1946, applicant anticipated that the increased rates would produce \$119,034 in additional revenues in the 1947 period. The expected operating loss would be reduced to \$41,880.

In submitting revenue and expense figures for the 1947 period, witnesses for applicant said that such figures represented best-judgment estimates in the light of present circumstances. However, they stressed that actual operating results may prove to be materially different than anticipated, because the volume of cotton which is offered for storage during a season is largely dependent upon the market price of cotton. Should the price of cotton decline, the witnesses believed that cotton growers and dealers would tend to hold more cotton in storage for the possibility of realizing higher prices later. Should cotton prices advance, they believed that cotton would move directly to eastern markets and that relatively small amounts would be stored in California.

Applicant's expense estimates for the 1947 fiscal year appear high with respect to depreciation. The estimated depreciation expense includes a charge of \$25,915 for depreciation assignable to the public utility operations at the San Pedro plant. However, the amount of this charge was developed for the whole year's period instead of for the portion of the year the San Pedro plant will be in operation. Adjusting the charge to a seven-month basis would reduce it by about \$10,800. Notwithstanding this adjustment, it appears

that operations for 1947 will result in substantial losses if present rates are maintained. Under the circumstances it is clear that increased rates should be authorized.

The rates proposed for the principal services involved in this proceeding are set forth and compared with the present rates in the margin below.³ A witness explained that applicant was endeavoring to effect adjustments in its rates proportionate to the increased costs of labor for the services involved. It was stated that applicant had also been guided by views of its patrons in arriving at the separate rates, and that for some services the charges would not fully compensate for increases in operating costs. Applicant was hopeful that it could effect economies by improvements in operations as labor-saving machinery becomes more available. It was pointed out that the proposed rates are substantially the same as those assessed by a competing cotton warehouse and compress company in Bakersfield under authority of the Commission (Decision No. 39484, October 8, 1946).

The proposed rates include a charge of "Cost plus 20 per cent" for extra services not otherwise specified. A witness for applicant explained this item was intended to cover the use of labor for purposes other than those specifically set forth in the tariff. As an

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<u>Service</u>	<u>Rates in Cents Per Bale</u>	
	<u>Present</u>	<u>Proposed</u>
Storage	15	20
Handling	25	50
Sampling	10	20
Weighing	10	25
Marking	5	3(a)
Tagging	3	5
Extra Services	75(b)	Cost plus 20%

(a) Per mark.
(b) Per man per hour.

(All of the present and proposed rates and services are set forth in detail in exhibits attached to the application.)

alternative provision he suggested that the charge be established on a basis of \$1.50 per man per hour. It appears that the alternative provision supplies a more definite means of determining charges.

It is therefore preferable. In other respects, however, the individual rates as set forth in the application appear to be well supported.

The customary notice of hearing was given to parties believed to be interested. No one appeared to interpose any objection to the proposed rates nor to contend that they would be excessive or otherwise unreasonable. A representative of the San Joaquin Warehouse & Compress Company, Bakersfield, testified that the rates of his company were comparable to those proposed, that his company and applicant compete for business, and that the competitive situation would be improved if the proposed rates were authorized.

Upon careful consideration of all of the facts and circumstances of record in this proceeding, the Commission is of the opinion and finds as a fact that the increased rates proposed by applicant are fully justified. The application will be granted.

O R D E R

The above entitled application having been heard and submitted, full consideration of the matters and things involved having been had, and the Commission now being fully advised,

IT IS HEREBY ORDERED that the Western Compress Company be and it is hereby authorized to establish on not less than five (5) days' notice to the Commission and to the public increased rates and charges as proposed and as set forth in detail in the application, except that the rate authorized herein for "Extra services not otherwise specified" shall be \$1.50 per man per hour.

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall be void except to the extent that the rates and charges

published pursuant to this authority are filed and made effective within ninety (90) days from the effective date of this order.

This order shall become effective ten (10) days from the date hereof.

Dated at San Francisco, California, this 13th day of January, 1947.

Harold J. Kuls
Justin F. Cooney
Harold Powell
A. J. [Signature]
Commissioners