Decision No. 40181

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

In the Matter of the Application of Beeman Brothers Warehouse & Drier, a partnership, et al. for an increase in warehouse rates.	)	Application No. 28257

Appearances

Reginald L. Vaughan and L. A. Bailey, for applicants.
J. J. Deuel, for California Farm Bureau Federation.
John A. O'Connell, for Rosenberg Bros., California Bean Co., and Bean Dealers Association of California.
E. R. Warren, for San Francisco Grain Exchange, California Hay, Grain and Feed Dealers Association and Warren & Ennis.
Philip Collins, Peter Dwyer, Jay S. Clare, C. H. Straub, B. Regnar Paulsen, Vernon H. Jeffery, F. A. Rue, Carl B. Youngmark and Wendall Smith, for individual applicant warehousemen.

O P I N I O N

By this application, 63 public utility warehousemen operating in the Sacramento Valley seek authority to increase their rates for the storage and handling of grain, rice, beans and other agricultural products, to make increases in accessorial service charges, to modify existing rules and regulations, to cancel rates no longer being used, and to publish a uniform tariff.

A hearing was had before Commissioner Potter and Examiner Krause at Woodland, on March 31, 1947.

The record shows that more than 96 per cent of applicants' storage consists of grain and rice. The storage of beans constitutes most of the remaining 4 per cent. The present season storage rates, generally speaking, are $1.50 per ton on grain and $1.75 per ton on rice for both bulk and sack storage. An increase of 50 cents per ton is proposed for sack storage and $1.00 per ton for bulk storage. Warehousemen storing beans propose a season rate of $2.25 per ton in lieu of the present rate of $1.50.

The present rates for the storage of the other agricultural commodities, as well as for miscellaneous services, are not uniform between the various warehousemen. Varying increases are proposed. In view of the small amount of over-all revenue which they produce and of their diverse nature, comparison of the present and proposed rates is not practicable. It will suffice to say that the increases proposed for all such commodities and for all accessorial services will contribute but a small portion of the increased revenues sought by the warehousemen.

The rates on grain and rice have been in effect since June, 1942, and on the other commodities and services, for a number of years prior thereto. The record shows that since 1942 labor costs have increased substantially. For example, wages have increased 46 per cent for warehouse formen, 40 per cent for bookkeepers, 72 per cent for warehouse pilers, 65 per cent for sack sewers, and 77 per cent for other warehouse labor. In addition thereto, added costs due to increased payroll taxes have been experienced.

To demonstrate the impact of these increased costs and the need for increased revenues, exhibits were introduced showing individually and collectively either the calendar year 1945 or the fiscal year 1945-46 operating results for 35 warehousemen handling 82 per cent of the tonnage warehoused by all the applicants.[1] The study shows that all but three of the 35 warehousemen experienced

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[1] It was explained that subsequent operating figures were not available.

operating losses under existing rates. The most favorable operating profit was $551.

The warehousemen studied were divided into three groups for the purpose of observing their operating results under both the present and proposed rates. The first group comprises 19 operators generally owning the property used. The second group of eight operators generally rent or lease their property and the third group consisting also of eight warehousemen own most of their warehouse facilities. The warehousemen in groups one and two operate facilities suitable only for the storage of sacked commodities; group three warehousemen operate bulk storage facilities as well. The operating results follow:

	Under Present Rates			Under Proposed Rates		
Group	1	2	3	1	2	3
Revenues	$361,983	$114,440	$108,235	$475,500	$150,722	$146,894
Expenses	418,028	132,043	142,692	432,463	139,945	145,886
Net For Return	(56,045)	(17,603)	(34,457)	43,037	10,777	1,008
*Operating Ratio-%	115.5	115.4	131.8	90.9	92.8	99.3
*Rate of Return-%	-	-	-	5.1	-	0.2

* After provision for income taxes.

(_____) Indicates loss.

With one important exception the rates of return are based on "book costs of the properties *** after deducting the estimated accrued depreciation" plus an allowance for working capital.[2]

The study shows that eight of the warehousemen would have operated at a loss under the proposed rates. Only five of the

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2 In one instance, estimated present fair value was used. This was necessary because the book records were assertedly not dependable.

warehousemen for whom a rate base was calculated would have experienced a rate of return in excess of 8 per cent. Collectively, their net operating revenue would have been approximately $10,000.

It was explained that the applicant warehousemen whose operating figures were not presented were omitted because accurate figures were not available because their public utility operations were too small a part of the total to be representative. Collectively, these warehousemen account for 18 per cent of the total tonnage stored during the period. It was applicants' position that the warehousemen studied, including as they did both large and small warehousemen handling approximately 82 per cent of the total tonnage, unquestionably reflect the condition of all applicant warehousemen.

The operating figures were developed by a firm of certified public accountants and a consulting engineer retained by applicants. The engineer testified that wherever possible, actual book figures were used. However, important segregations and adjustments were required to be made. Thus, for example, depreciation annuities were found to be over or under stated and not to reflect the present condition of the warehouses. Accordingly, depreciation annuities were recomputed by the engineer and segregated between utility and nonutility operations on a use basis. In most instances no salary allowance had been made by the operators for services rendered by them. The engineer calculated salaries on the basis of what the operator would have received for the services he rendered had he been employed by others. Expenses such as supplies, power, insurance and taxes were allocated to utility operations on the basis of the responsibility of such operations for the expenses. For seven warehousemen who had made no segregation between direct labor costs of public utility and other operations, the direct labor cost was based upon the average per ton direct-labor cost experienced by 17 operators handling 249,000 tons under the same labor rates and working conditions, during the same period.

In support of the proposal to establish a uniform tariff containing standardized rules and regulations applicants' tariff publishing agent testified that existing rules and regulations lack uniformity and in many cases are entirely incomplete and indefinite. Those proposed for the most part, it was claimed, follow "what are more or less standard rules published in the Salinas and San Joaquin Valleys." Their establishment would, it was contended, simplify rate determinations and assure equal treatment to all storers.

As a part of the tariff proposal authority is sought to cancel certain storage rates and accessorial service charges. Included are rates for the storage of hay, hops, alfalfa meal, salt, sugar and potatoes and charges for the accessorial services of yardage and ricking. In support of this proposal it was stated that none of such rates have been used for a number of years and are no longer required.

Applicants propose to establish a rule which will provide that any increase in weight in bulk commingled grain or rice while in storage would be for the warehouseman's account and that any shrinkage would be chargeable to the storer or owner of the goods where the warehouseman acted in good faith. The California Farm Bureau Federation objected to this rule. It contended that usually barley increases in weight while in storage and that the storer, not the warehouseman, should receive the resulting overage. It urged that if the storer must stand the loss in weight due to shrinkage, the warehouseman should not be allowed to keep any overage.

Applicants stated that their investigation had not disclosed any evidence that overages occurred and insisted that if there are overages they are infinitesimal. Moreover, they represented that the expense of accounting for such overages would be prohibitive.

The application in other respects was not opposed. However, The California Bean Dealers Association requested and secured permission to file a brief should it so desire. This Association has now advised the Commission that it "will not file any brief." It said, "this action, however, is not to be construed as approval by us of the increase in warehouse charges."

The record shows that applicants' operations have been conducted at an out-of-pocket loss, and that the existing rates are unduly low and insufficient. The proposed increases will return, in most cases, only a nominal profit. They should be granted. Cancellation of applicants' individual tariffs and of rates no longer being used and the publication and filing of standardized rules and regulations appear warranted for the reasons advanced in support thereof.

Applicants' proposal concerning the disposition of overages on commingled bulk grain and rice remains for consideration. The record does not show why the warehousemen should benefit from overages and simultaneously relieve themselves of responsibility for making up shortages. Moreover, if they can account for shortages due to shrinkage they likewise can account for increases in weight. The proposed rule is not justified.

Upon consideration of all of the facts of record, we are of the opinion and find that the establishment of proposed increased rates and accessorial charges, the cancellation of rates no longer used and the standardization of rules and regulations have been justified. We are also of the opinion and find that applicants' proposal relating to overages in connection with commingled grain and rice has not been justified and should be denied.

O R D E R

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

IT IS HEREBY ORDERED that Application No. 28257 be and it is granted except that Exhibit No. 1, in this proceeding, is hereby amended by striking all of paragraph (b) of Rule No. 100.

IT IS HEREBY FURTHER ORDERED that tariff publications authorized to be made may be published to become effective June 1, 1947, on not less than twenty (20) days' notice to the Commission and to the public.

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

Dated at San Francisco, California, this 22nd day of April, 1947.

Harold P. Huls

Commissioners