

ORIGINAL

Decision No. 41568

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
Coast Counties Warehouses, et al., ) Application No. 29044  
for increases in warehouse rates. )

Appearances

Reginald L. Vaughan, for applicants.  
L. A. Bailey and Jack L. Dawson for California  
Warehousemen's Association.  
J. J. Deuel and Edson Abel, for California Farm  
Bureau Federation.

O P I N I O N

In this proceeding, eleven public utility warehousemen operating in Monterey, San Benito, San Luis Obispo, Santa Barbara and Ventura counties seek authority to increase their rates and charges.

A public hearing was had at San Luis Obispo before Examiner Mulgrew.

A consulting engineer submitted studies of the operations involved. They supply detailed information regarding operating results of nine of the eleven applicants for their respective fiscal years ended in the calendar year 1947.<sup>1</sup> These nine applicants, the consultant testified, handle more than 97 per cent of the business enjoyed by all applicants, and their experience, he said, is also representative of that for the less than 3 per cent handled by the other two applicants. The studies show that each of

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<sup>1</sup> The witness explained that detailed studies of the operating results of the two remaining applicants were not submitted because in one case there had been a change of ownership during the year and there was a misunderstanding as to the availability of the records and because in the other case records of utility and nonutility operations were so intermingled as to make the task of allocating revenues and expenses out of proportion to the benefits to be derived from undertaking this work.

the nine warehousemen sustained a loss from 1946-1947 operations; that these losses ranged from \$834 to \$106,769; and that in the aggregate they amounted to \$135,461. The studies also show that the lowest operating ratio was 109.2, that the highest was 143.2, and that the over-all ratio was 134.2. The consultant also developed rate bases for eight of the nine applicants covered by his detailed studies.<sup>2</sup> They reflect the depreciated value of the property devoted to public utility operations plus necessary working capital therefor. The aggregate rate base amounts to \$966,904.

The rates now maintained by applicants are, for the most part, those authorized by Decision No. 37671, 45 C.R.C. 598 (1945). In that decision, the Commission held that, on the whole, these rates could be expected to do no more than produce revenues approximating the cost of performing service. Since this decision was issued, various increases in operating expenses have been experienced. According to the consultant, costs are now some 18 per cent higher than those prevailing at the time his previous studies were submitted at the hearings had prior to the issuance of Decision No. 37671. Applicants propose increased rates designed to produce revenues which will meet the expenses disclosed by the current studies and to provide a return on the money invested in utility

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<sup>2</sup> He said that one applicant was omitted from these calculations because the properties are near the end of their lives and that a rate base developed from the books of this company would be distorted. The 1946-1947 revenues of this company were \$11,643 and expenses were \$14,197, resulting in an operating ratio of 121.9.

property and required for working capital.

The warehouse operations in question are limited to the handling of agricultural products and supplies. The principal commodities stored are beans and grain. The existing rates on these commodities, including storage and handling, are \$1.50 for 30 days or less, \$1.75 for over 30 but not over 60 days and \$2 for more than 60 days in the same storage season.<sup>3</sup> The proposed rates are \$2.25, \$2.75 and \$3.25, respectively, on beans; and \$2.00, \$2.50 and \$2.75, respectively, on grain. Applicants' rate expert testified that higher rates on beans than on grain are sought because the value of beans is considerably greater, a larger variety of types and grades is handled, smaller storage lots are usually received, more floor space is required for storage of like tonnage, and greater labor costs are incurred in the performance of service. The differentials of 25 cents in the proposed monthly rates and 50 cents in the proposed season rates, he claimed, would give reasonable effect to these considerations.

According to the rate witness, other sought adjustments in storage rates follow a similar pattern. Commodities of relatively low value and favorable storage characteristics are proposed to be subjected to lesser increases than those sought for articles of higher value and less favorable characteristics.

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<sup>3</sup> Rates are stated throughout this opinion in amounts per ton of 2,000 pounds. On beans the storage season is from August 1 to July 31; on grain it is from June 1 to May 31.

Examples of these proposals are shown below:

COMMODITY	30-Days		60-Days		Season	
	(1)	(2)	(1)	(2)	(1)	(2)
Feed, poultry	\$1.50	\$2.25	\$1.75	\$2.75	\$2.00	\$3.00
Fertilizer, crude	2.00	2.50	2.25	2.75	2.50	3.00
Fruit, dried	2.00	3.00	2.50	3.50	2.75	3.75
Nuts, in shell	2.00	3.00	2.50	3.50	2.75	4.00
Onions	2.00	2.50	2.50	3.00	2.75	3.50

- (1) - Existing rates  
(2) - Proposed rates

The rate expert also submitted studies of current prices paid to producers for commodities stored by applicants. He pointed out that on practically all of these commodities the proposed season storage rates would amount to not over 3.5 per cent of their value. On the preponderant tonnage, beans and grain, the studies show that the bean rate amounts to 1.03 per cent and the grain rate to percentages ranging from 2.60 to 3.16.

In addition to the storage rate adjustments, applicants seek authority to make various changes in rules and regulations affecting their charges. For example, the minimum charge per storage lot under season rates is proposed to be increased from \$2 to \$3 for packaged commodities and to \$10 for bulk commodities. Rates for various accessorial services performed at the storer's request are also proposed to be increased. The proposals affecting the rules and regulations are said to be designed to reflect increased costs and to bring these requirements abreast of current conditions. The revised provisions assertedly parallel those in effect in other bean and grain storage areas. The tonnage handled by applicants in their 1946-1947 fiscal years was somewhat higher than that experienced in any one of the preceding four years. Witnesses for applicants testified that they anticipated handling less

tonnage in the coming storage season, and that they were faced with further increases in operating costs. The effect of the proposed increases thus cannot be precisely determined. However, the increased rates apparently would not produce more favorable operating results than those estimated by applicants by using their 1946-1947 experience. As so estimated, the revenue of the nine warehousemen covered by the detailed studies, is raised from \$396,223 to \$588,992. Provision for income taxes increases expenses from \$531,684 to \$546,010. The over-all operating ratio on this basis is 92.7, and the estimated "net for return" is \$42,982. After deducting \$3,015 from the \$42,982 net, in order to make allowance for the applicant for which a rate base figure was not submitted, the resulting \$39,967, is 4.1 per cent of the \$966,904 depreciated rate base developed by the consultant for the eight warehousemen.

Applicants' proposals were not opposed.

It is clear from the record that applicants' present rates and charges are unreasonably low and that they are insufficient to permit compensatory operations to be conducted thereunder. It is likewise clear that the proposed rates are not excessive in the light of all the facts and circumstances of record. We are, therefore, of the opinion, and hereby find that the sought increases are justified. The application, as amended, will be granted.

#### O R D E R

Based on the evidence of record and on the conclusions and findings set forth in the preceding opinion,

IT IS HEREBY ORDERED that applicants be and they are hereby authorized to establish, within sixty (60) days from the effective date of this order and on not less than three (3) days' notice to the Commission and to the public, the increased rates and charges proposed in the above entitled application, as amended.

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

Dated at San Francisco, California, this 11<sup>th</sup> day of May, 1948.

R. Z. [Signature]  
James F. [Signature]  
James F. [Signature]  
Harold P. [Signature]  
Kenneth [Signature]  
Commissioners