

Decision No. 42036

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
SAN JOAQUIN COMPRESS & WAREHOUSE COMPANY,
Bakersfield, California, for authority
under Section 63 of the Public Utilities
Act to increase its present existing
warehouse rates.

Application No. 29415

Appearances

L. H. Stewart, for applicant.

DeWitt Morgan Manning, for California Compress & Warehouse Company, intervenor on behalf of applicant.

O P I N I O N

San Joaquin Compress & Warehouse Company, a corporation engaged in the business of compressing and warehousing cotton in the vicinity of Bakersfield, seeks authority to increase its public utility warehouse rates and charges. The application, as amended, was submitted at a public hearing held at Bakersfield on July 16, 1948, before Examiner Bryant.

The operating properties of San Joaquin Compress & Warehouse Company are located about two miles northwesterly from Bakersfield, and consist principally of land, warehouse buildings, boiler and compress machinery, fire mains, and sprinkling systems. The buildings contain approximately 408,000 square feet of floor space, of which 353,000 are devoted to public warehousing and the remainder are used in the compress operations.

Applicant alleges that it has experienced a marked increase in labor costs since its rates were last adjusted in October, 1946;

that the cost of labor represents its principal operating expense; and that because of this added expense its warehouse operations are now being performed at a loss. It seeks to establish increased rates which, according to the applicant, are practically identical to those currently maintained by cotton warehouses in other states. The proposed rates, it was testified, are substantially those that have been incorporated in contracts prepared by the Commodity Credit Corporation for the storage and handling of government-loan cotton throughout the country. The principal changes sought are set forth in the margin below.¹

Applicant's secretary-treasurer and general manager described the operations of his company, introduced financial statements and other factual data, and testified in some detail concerning the necessity for increasing the warehouse revenues. For the fiscal year ending June 30, 1948, according to the exhibits, San Joaquin Compress & Warehouse Company had a total operating income of \$221,192, expenses of \$208,891, and a net profit of \$12,301.² This net profit

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Present and proposed rates are shown in detail in Appendix "A" hereto. The more important changes are as follows:

	(Charges in Cents)	
	Present	Proposed
Storage, per month per bale	25	30
Storage, compressed cotton, per month per bale	23	28
Handling	50	75
Sampling in storage, per bale	30	35
Weighing in storage, per bale	30	35
Extra services, per man hour	150	185

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\$12,301 represents a return of approximately 4.68 per cent on the depreciated value of the physical operating properties, exclusive of allowance for working cash. In addition, \$4,836 was received as income from certain leases.

according to the segregated figures, is the difference between \$38,177 earned in the compress and other nonutility services and a loss of \$25,877 sustained in the warehouse operations.³ The warehouse experience, more specifically, was as follows:

WAREHOUSE OPERATIONS - YEAR ENDING JUNE 30, 1948

Revenues:

Storage	\$10,706.38	
Handling	11,495.25	
Sampling and Weighing	5,723.94	
Sale of loose cotton	2,434.85	
Other services	722.68	
		\$31,083.10

Expenses:

Labor and Salaries	\$30,047.52	
Depreciation.....	13,178.45	
Insurance	3,170.78	
Repairs	2,675.03	
Taxes	4,166.42	
Other Expenses	3,721.84	
		\$56,960.04
<u>Net Loss from Warehouse Operations</u>	<u>(25,876.94)</u>	

The financial loss in the past fiscal year, as explained by the general manager, was attributed primarily to the low volume of cotton going through the storage facilities. The warehouse maintains capacity sufficient to store 47,500 bales. During the fiscal year it received only 23,271 bales, an all-time low for the company.⁴ Storage was for relatively short periods also, and the maximum number of bales in storage at any one time was less than 12,000.

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Virtually all of the revenues, and a substantial majority of the expenses, were credited or charged directly at their source without the necessity of allocating. Such expense items as depreciation, salaries, insurance, repairs, supplies, light and power, were allocated between compress and warehouse according to revenues received, floor space occupied, or other factors which the general manager considered to be most appropriate. All of the allocations were fully explained.

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Some 118,000 bales were received at the compress, mostly for "compression in transit."

The sought rates, based upon bales handled and services performed during the past fiscal year, would have returned increased revenues in the amount of \$2,894 for storage, \$5,836 for handling, and \$2,143 for sampling, weighing, and other services. The total increased revenue of \$10,873, it may be noted, would be some \$15,000 less than the amount required to meet the expenses actually sustained during the fiscal year. The general manager felt certain, however, that the warehouse would receive a substantially greater volume of cotton than it handled during the past year, and that revenues would be greater for that reason. In support of this conclusion he referred to increased production in California and nationally, to decreased consumption by the mills, and to the operation of government loans. It was his opinion, based upon information and experience, that the warehouse would handle between 50,000 and 75,000 bales⁵ during the current fiscal year.

No one opposed the granting of this application. California Compress & Warehouse Company, which is similarly engaged in warehousing cotton in the Bakersfield area and which is seeking a comparable rate adjustment in another proceeding, intervened in behalf of the applicant and urged that the application be granted.

As hereinbefore indicated, the evidence submitted by applicant shows that, on basis of business handled and expenses incurred in the past fiscal year, the sought rates would not provide revenues sufficient to meet the cost of performing the services.

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This estimate, which allows for an increase of from 107 to 161 per cent in the volume of warehouse business over the past season, appears to be conservative in the sense that no greater increase seems probable.

Applicant anticipates a materially greater volume of business during the current fiscal year, but did not develop specifically the revenues and expenses which would result therefrom. Warehouse operating results under the predicted volumes of 50,000, or 75,000 bales may be roughly calculated, however, by assuming that revenues and labor expenses would increase proportionately to the number of bales handled, and that all other expenses are fixed and would remain constant. Upon this basis, and without allowing for increased wage rates effective July 1, 1948, the warehouse operating results for the current fiscal year would be as follows:

	<u>50,000 Bales</u>		<u>75,000 Bales</u>	
	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Present Rates</u>	<u>Proposed Rates</u>
<u>Revenues</u>	\$66,785	\$90,147	\$100,177	\$135,220
<u>Expenses</u>				
Labor	\$34,000	\$34,000	\$ 51,000	\$ 51,000
Other	41,135	41,135	41,135	41,135
Total Expenses	<u>\$75,135</u>	<u>\$75,135</u>	<u>\$ 92,135</u>	<u>\$ 92,135</u>
<u>Net Profit</u>	(<u>\$ 8,350</u>)	\$15,012	\$ 8,042	\$ 43,085
<u>Rate Base</u>	\$ 344,412		\$ 344,412	
<u>Rate of Return</u>	- 4.36%		2.33% 12.51%	
() Indicates loss.				

Necessarily, the financial outcome of applicant's warehouse operations during the ensuing year will be dependent to a great extent upon the number of bales of cotton to be tendered for storage and for related services. The future business volume cannot be predicted with certainty. The evidence is convincing, however, that within the range of business volumes which appear probable, increased rates as proposed herein are justified.

Upon careful consideration of all of the facts and circumstances of record, the Commission finds as a fact that the increased rates and charges proposed by the applicant in this proceeding, as set forth in Appendix "A" attached hereto, are justified. The application will be granted.

O R D E R

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

IT IS HEREBY ORDERED that San Joaquin Compress and Warehouse Company, be and it is hereby authorized to establish, on not less than five (5) days' notice to the Commission and to the public, the proposed increased rates and tariff changes, specifically set forth in Appendix "A" which is attached hereto and by this reference made a part hereof.

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall expire except to the extent that it is exercised within ninety (90) days from the effective date of this order.

This order shall become effective twenty (20) days from the date hereof.

Dated at San Francisco, California, this 14th day of September, 1948.

R. T. Dunning
Arthur J. Craven
August F. Rayell
Harold H. Kuts
Samuel C. Potter
Commissioners

APPENDIX "A"

(San Joaquin Compress and Warehouse Company)

<u>Item</u>	<u>Rates (In Cents)</u>	
	<u>Present</u>	<u>Proposed</u>
1. STORAGE: Includes tagging and issuing warehouse receipt.		
A. For first month or part thereof, ----- per bale	25	30
(Storage will be computed from date of receipt to same date of succeeding month.)		
Extra storage per month or part thereof, ----- per bale	25	30
B. STANDARD OR HIGH DENSITY COMPRESSED COTTON:		
Per month or fraction thereof, per bale	23	28
(Storage will be computed from date of receipt to same date of succeeding month.)		
2. HANDLING: Including unloading, handling in, weighing and sampling upon arrival and loading out of warehouse by this company, ----- per bale	50	75
3. SAMPLING AND WEIGHING - at same time:		
A. In storage, ----- per bale	50	60
B. On delivery or when other service is being performed, ----- per bale	30	50
4. SAMPLING:		
A. In storage, ----- per bale	30	35
B. On delivery or when other service is being performed, ----- per bale	18	25
5. WEIGHING:		
A. In storage, ----- per bale	30	35
B. On delivery or when other service is being performed, ----- per bale	18	25
6. DELIVERING:		
Uncompressed cotton delivered by this company, including loading on railroad cars on warehouse siding and/or to trucks at warehouse platform, ----- per bale	75	100
7. BANDS:		
When more than eight bands to each bale are ordered, ----- per extra band	12	**
Compressed cotton received with less than eight bands, per missing band	12	**
Uncompressed cotton received with less than six bands, ----- per missing band	12	**

<u>Item</u>	<u>Rates (In Cents)</u>	
	<u>Present</u>	<u>Proposed</u>
8. MARKING: (See Note)		
One side, ----- per bale	Free	**
Two sides, ----- per bale	6	**
Stencil branding one side, ----- per bale	Free	**
Stencil branding two sides, ----- per bale	6	**
Note: Above rate is limited to four letters per mark or brand.		
9. TAGGING:		
With shipper's tags, ----- per bale	4	6
Removing tags, ----- per bale	4	6
With both services performed jointly, ----- per bale	6	10
10. GOVERNMENT LOAN COTTON: Transmitting samples, postage, filling out schedule of pledged cotton and signing loan papers, ----- per bale	*	25
11. EXTRA SERVICES:		
All labor performed which is not specifically provided for herein will be charged at per man-hour rate of, -----	150	185

* New item

** Item to be eliminated, account nonutility service.

(End of Appendix "A")