

Decision No. 42119

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
HASLETT COMPRESS COMPANY, a corpora-) Application No. 29510
tion, for an increase in warehouse)
rates.)

In the Matter of the Application of)
PINEDALE COMPRESS & WAREHOUSE CO.,) Application No. 29511
a corporation, for an increase in)
warehouse rates.)

Appearances

Reginald L. Vaughan, for applicants.
J. J. Deuel, for California Farm Bureau Federation,
interested party.
L. A. Bailey and Jack L. Dawson, for California Warehouse-
men's Association, interested party.

O P I N I O N

Applicants are California corporations engaged in the business of compressing and warehousing cotton. They seek authority to increase their public utility warehouse rates and charges on less than statutory notice, and to make incidental tariff changes.

The matters were consolidated for hearing and decision, and were submitted at a public hearing held before Examiner Bryant in Fresno on September 24, 1948.

The operations of Haslett Compress Company are conducted in buildings leased from the Port of Stockton, at Stockton. The facilities consist primarily of five buildings, sprinkler equipped, served by spur tracks, and containing approximately 265,000 square feet of floor area. Of this area, 233,000 square feet are devoted to the warehousing services herein involved, and the remaining 32,000 square feet are utilized in the compress operation. Operations of Pinedale Compress & Warehouse Company are conducted at Pinedale, Fresno County, in 19 separate warehouse buildings owned by the company. A total floor area of approximately 660,000 square feet, which includes a small space in the compress room, is available for public warehousing.

The two applicants maintain rates which are similar in all essential respects. They propose herein to establish comparable increases.¹ Both companies allege that the present rates do not yield revenues sufficient in amount to permit conduct of the warehouse operations at a reasonable profit; and that authority to increase the rates should be granted in order that applicants may continue to render adequate and efficient service to the public. The proposed rates are substantially the same as those which were recently authorized for two cotton warehouses serving the Bakersfield area;² and are assertedly similar in effect to 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.

A consulting engineer testified on behalf of both applicants. This witness introduced an exhibit showing the compress and warehouse revenues and expenses of Haslett Compress Company for the fiscal year ended June 30, 1948, and also showing the estimated effect of warehouse rate increases proposed and of increases in wages and other expenses now being incurred.³ According to this exhibit, the warehouse operations of Haslett Compress Company for the fiscal year

¹ The present and proposed rates of Haslett Compress Company are shown in detail in Appendix "A" hereof, and the principal changes sought are shown below. The present and proposed rates of Pinedale Compress & Warehouse Company are generally similar.

	(Charges in Cents)	
	Present	Proposed
Storage, per bale per month.....	25	30
Storage, compressed cotton, per bale per month	23	28
Handling, per bale.....	50	75
Sampling, in storage, per bale.....	30	35
Weighing, in storage, per bale.....	30	35
Extra services, per man hour.....	*	185
* Wage cost plus 20%.		

² San Joaquin Compress & Warehouse Company and California Compress & Warehouse Company, by Decisions Nos. 42036 and 42037, respectively, dated September 14, 1948.

³ Similar data were not available for the Pinedale Compress & Warehouse Company, as will be explained hereinafter.

resulted in a net operating loss of \$12,404.⁴ The witness developed that an operating profit of \$2,600, before taxes, would have been earned had the rates herein sought been assessed throughout the period, and had the warehouse labor been paid at wages now prevailing. His figures are summarized more fully in the following table:

HASLETT COMPRESS COMPANY
Warehouse Operations Only, for
Fiscal Year Ended June 30, 1948.

	<u>Actual</u>	<u>Modified*</u>
<u>Revenues:</u>		
Storage	\$ 35,000	\$ 42,000
Handling.....	28,916	43,374
Sale of Loose Cotton.....	27,763	27,763
Sampling and Weighing.....	2,738	4,021
Other Services.....	<u>1,419</u>	<u>1,892</u>
Total Revenues.....	\$ 95,836	\$119,050
<u>Expenses:</u>		
Labor and Salaries.....	\$ 69,825	\$ 76,460
Rent.....	16,626	16,626
Depreciation.....	2,953	2,953
Insurance.....	3,754	3,928
Repairs.....	1,420	1,420
Taxes.....	2,713	2,984
Other Expenses.....	<u>10,949</u>	<u>12,079</u>
Total Expenses.....	\$108,240	\$116,450
Net Operating Revenue.....	\$ (<u>12,404</u>)	\$ 2,600
Operating Ratio.....	113.0%	97.8%

() - Loss

* Modifications consist of adding to the revenues the additional amounts which would have accrued from the proposed rates, and adding to expenses the difference between wages and payroll taxes actually paid and those which would have accrued under present labor contracts.

⁴ The combined utility and nonutility services for the year resulted in revenues of \$321,195 and expenses of \$298,987, producing an operating ratio of 93 per cent. The over-all net revenue was \$22,208. The witness did not establish a rate base, for the reason that Haslett's facilities are rented rather than owned. The bases of all expense allocations between compress and warehouse operations were set forth in the exhibit and more fully explained in the direct testimony of the engineer.

Four other witnesses testified. A rate expert explained the bases of the proposed rates, two officers of Haslett Compress Company described the Stockton operations, and an officer of the Pinedale Compress & Warehouse Company discussed the recent past experience and future prospects of his company. According to the testimony of these witnesses, the proposed rates would establish a substantial parity of charges between warehouses competing for the cotton business. The witnesses declared that cotton warehouses throughout the state are in competition with each other, and that it would be impracticable for any company to maintain rates which differ materially from those of its competitors. The manager of the Haslett company said that the storage facilities of his company were operated at capacity during the past fiscal year. He thought that the coming season would be less satisfactory from the standpoint of the compress operation, but would be about the same with respect to the warehousing services herein involved.

The president of Pinedale Compress & Warehouse Company explained that during the last fiscal year his company was largely engaged in reconverting its facilities from their wartime use by the federal government. He said that the government control was terminated last year rather suddenly; that the company had difficulty in forming a working organization at that time; and that it was impossible to undertake warehousing operations until after the season was under way. As a consequence, no appreciable amount of cotton was received for storage. Moreover, it was difficult to maintain proper records under the circumstances, and such records as were maintained did not provide a satisfactory segregation of the warehouse figures. This witness estimated that his company would handle 150,000 bales of cotton during the current fiscal year, but stated that it would be impracticable to make a reliable estimate of the costs to be incurred in handling this business. He believed, nevertheless, that his

company could not operate cheaper than the Haslett company, nor develop a more favorable operating ratio.⁵ It was his opinion that the sought rates were necessary, and that they would enable his company to earn a profit. This witness testified also that rates named in the tariff of his company for the storage and handling of sugar should be cancelled, for the reason that they have not been used since the war and no offerings of sugar for storage are contemplated.

A representative of the California Farm Bureau Federation participated in examination of the witnesses, and otherwise assisted in development of the record. No one specifically opposed the granting of these applications.

So far as the Haslett Compress Company is concerned, the record is clear that the warehouse services were conducted at a loss during the past fiscal year, although its facilities were operated at their practical capacity. Wages paid to the warehouse employees at the present time are materially higher than those paid last year. It is evident that the revenues of this company must be increased if its services are to be operated on a sound basis. It appears, as developed in the foregoing table, that the proposed rates would return, before income taxes, a net operating revenue of about \$2,600.⁶ The operating ratio would be 97.8 per cent, leaving a margin of 2.2 per cent of the gross revenues for income taxes and profit.

Evidence in support of the application of Kinedale Compress & Warehouse Co., as has been indicated, was meagre. It shows that the

⁵ The consulting engineer testified to the same general effect. He explained that the wage rates of the Kinedale company are lower than those paid by Haslett, but said that the lower labor costs would undoubtedly be offset by the higher cost of maintaining and operating the Kinedale buildings.

⁶ Income taxes were not computed, for the reason that the tax rates will vary with the profits or losses of the operation as a whole, including the nonutility compression services.

company did not conduct public utility services for several years prior to November, 1947, and that only negligible operations were conducted thereafter. It is not known whether such warehouse services as were rendered were performed at a profit or a loss. No estimate is available of the revenues or expenses to be experienced during the coming season, either at the present or the proposed rates. Virtually the only material affirmative evidence to support the application of this company is the opinion testimony that the Pinedale company, despite its lower wage rates, cannot operate at a lower cost than can the Haslett Compress Company. Neither this testimony, nor the additional testimony that uniformity of charges between competing warehouses is desirable, is sufficient to establish the justification for increased rates as contemplated by Section 63(a) of the Public Utilities Act. The evidence, in so far as the Pinedale Compress & Warehouse Company is concerned, is not sufficient to support a finding that the proposed increased rates and charges 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 Haslett Compress Company are justified. The application of that company will be granted. The application of Pinedale Compress & Warehouse Company will be denied.

O R D E R

Public hearing having been had in the above-entitled applications, 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 Haslett 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, 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.

APPENDIX "A"

(Haslett Compress Company)

RATES AND CHARGES FOR THE STORAGE AND HANDLING
OF COTTON AND FOR MISCELLANEOUS SERVICES.

ITEM	R A T E S (In Cents Per Bale)	
	<u>Present</u>	<u>Proposed</u>
5	STORAGE - Per month or fraction thereof: Including issuing negotiable warehouse receipts.	
	Uncompressed cotton, -----	25 30
	Compressed cotton, standard density or high density, -----	23 28
10	HANDLING: Including unloading car or receiving from truck, handling in, tagging, weighing in, and sampling uncompressed cotton upon arrival; and loading out compressed cotton to car or delivering to truck from warehouse of this company, ----	
		50 75
15	SAMPLING: While in storage, -----	
	On delivery or at the time other	30 35
	service is being performed, -----	18 25
	Drawing an extra sample at time of sampling, -----	New Item 20
20	WEIGHING: While in storage, -----	
	On delivery or at the time other	30 35
	service is being performed, -----	18 25
25	RESAMPLING AND REWEIGHING when performed at the same time:	
	On delivery, -----	30 50
	While in storage, -----	50 60
30	DELIVERING: Uncompressed cotton removed without being compressed by this company, including loading on railroad cars on compress siding, and/or delivery to trucks at compress platform, unless otherwise provided herein, -----	
		75 100
35	TAGGING COTTON BALES: (No change.)	
40	EXTRA OR SPECIAL SERVICES: All labor furnished for services not otherwise provided for herein will be charged for at, -----	
	#	*185
	# On basis of cost of wages paid, payroll taxes and payroll insurance, plus 20%.	
	* Cents per hour per man.	
45	GOVERNMENT LOAN COTTON: Transmitting samples, postage, filling out schedule of pledged cotton, and signing loan papers, -----	
	New Item	25

(End of Appendix "A")

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall expire ninety (90) days from the effective date of this order.

IT IS HEREBY FURTHER ORDERED that Application No. 29511 of Pinedale Compress & Warehouse Company be, and it is hereby, denied.

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

Dated at San Francisco, California, this 11th day of October, 1948.

R. T. Anderson
James F. Craven
Harold A. Kille
Samuel F. Patten

Commissioners