

ORIGINAL

Decision No. 44228

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)	
of DELTA WAREHOUSE COMPANY, a)	Application No. 30965
corporation, for an increase in)	
rates.)	

Appearance

Reginald L. Vaughn, for applicant.

O P I N I O N

Delta Warehouse Company is a California corporation engaged in the business of operating a public utility warehouse at Stockton for the storage of dried beans, whole grain, paddy rice, bags, and other commodities. It seeks authority to increase some of its rates and charges, to cancel others, and to effect various changes in its rules and regulations.

Public hearing of the matter was had before Examiner Abernathy at Stockton on April 3, 1950.

In this proceeding applicant seeks to augment revenues from its public warehousing services by about 35 percent. In general, the justification which is advanced in support of applicant's proposal is that operating costs have increased beyond the point where the warehousing services can be performed at a profit.

The principal rate changes which are sought herein are as indicated in the following table:

	<u>Present Rates</u>	<u>Proposed Rates</u>
Dried Beans, storage and handling, per 2,000 pounds		
First Season	\$ 2.45	\$ 3.25
Second Season	1.25	3.25
Whole Grain, storage and handling, per 2,000 pounds		
First Season	2.00	2.75
Second Season	1.00	2.75
Bags, in bales, storage and handling, first month, per bale	.45	.50
Storage, each additional month, per bale	.10	.15

In addition to the foregoing, applicant seeks to increase its storage and handling rates for beans and grain for periods less than a season; to establish higher charges for incidental services such as carloading, car unloading, weighing, and sampling; to cancel rates for the warehousing of cleaned rice and feed; and to revise a number of the rules and regulations governing its services.¹

The public warehousing services comprise only a part of the total operations of Delta Warehouse Company. The company is also engaged in export and in bean and grain cleaning operations which are not involved herein. Financial data relating to the warehousing services separately were submitted by applicant's operating manager and by a consulting engineer. The manager reported warehouse revenues for the nine months ending with February, 1950, of \$46,233, expenses of \$52,385, and an operating loss of \$6,152. He said that the expenses are exclusive of depreciation, and he listed a charge of \$5,000 as being the applicable depreciation expense for the period.

¹

The present rates, rules, and regulations, and those it seeks to establish, are set forth in detail in the application.

He estimated that during the remaining three months of the fiscal year the company's loss before depreciation would be increased to \$8,370.²

The data which were introduced by the engineer covered applicant's warehousing operations for the year which ended May 31, 1949, a year that he considered to be representative. In his study he developed figures to show the operating results under present rates, and those that would have been achieved had the sought rates been in effect throughout the year. The data of the engineer are summarized as follows:

	<u>Present Rates</u>	<u>Proposed Rates</u>
Revenues	\$ 54,432	\$ 74,045
Expenses	<u>61,451</u>	<u>63,826</u>
Net Revenues before Income Taxes	\$ (7,019)	\$ 10,219
Income Taxes		<u>2,555</u>
Net Income		\$ 7,664
Rate Base (see Footnote 3 below)	\$130,898	\$130,893
Rate of Return after Income Taxes	0	5.9
Operating Ratio after Income Taxes	111.2%	89.6%

() - Indicates loss

²

This figure excludes earnings from storage services which Delta Warehouse Company provides for the Commodity Credit Corporation. For these services applicant, under general authority granted by General Order No. 97A, assesses rates in excess of those in its tariff. In order to portray the revenue effect of the rates involved herein, the manager calculated his company's revenues as if they had all been earned under the tariff rates.

³

The rate base was calculated in part on the basis of the book value of buildings and equipment adjusted to an operative condition, as observed by the engineer, of 70 percent. The book records indicate a remaining depreciable life of 25 percent. When applicant's rates were last considered by the Commission in 1945 (See Decision No. 37716 in Application No. 26432), a rate base of \$113,937 based upon depreciated book values was developed. It appears that new construction since 1944 has largely offset accrued depreciation and that \$113,937 would reasonably approximate the rate base figure on present records. On this basis the above net income of \$7,664 is the equivalent of a rate of return of 6.7 percent.

The vice president testified briefly concerning the operations of his company. He said that consideration is being given to installing facilities for storage of beans and grain in bulk, but that no decision has been reached. Otherwise, he did not anticipate any material change in the company's operations during the coming year.

Applicant's tariff agent, who said that he is engaged in the handling of rate and tariff matters for a number of warehousemen in California, testified that with the exception of the rates for rice, applicant's rates were last increased in 1945 (Decision No. 37716 ⁴ supra). He said that at that time the basic wage rate paid by Delta Warehouse Company for warehouse labor was 92½ cents an hour. Since then it has been increased to \$1.47½ an hour, an increase of about 60 per cent. In addition, there have been increases in social security and other taxes; in costs of workmen's compensation, unemployment insurance, vacations and paid holidays; and in outlays for materials, supplies and repairs which are necessary to keep the warehouse in serviceable condition. The witness said that the basic wage rates paid by applicant generally correspond to those prevailing in San Francisco, and exceed those paid by warehousemen in the Sacramento and San Joaquin valleys and in the coast counties in the central part of the state.

The tariff agent introduced an exhibit setting forth comparisons which he had made of the proposed rates with rates assessed by other warehousemen for similar services. According to these comparisons, the sought rates for storage of whole grain and dried beans are less than those which apply at San Francisco, Oakland, or Los Angeles; they are the same as those applicable in the central

⁴ Increased rates for the warehousing of paddy rice were established in January of this year. It was stated that, prior to that time, the charges applicable for the handling and storage of rice had been computed in accordance with the tariff provisions applicable to whole grain.

coast counties; and they are the same as, or up to 37 percent higher than, the rates in the Sacramento and San Joaquin valleys. Regarding the sought rates for bags in bales, the comparisons indicate that they would be the same as, or less than, those charged by other warehouses. The rate witness declared that higher rates, as proposed, for the storage of beans than for grain are justified by the fact that beans have a higher value and are more susceptible to damage. Moreover, beans are grown in greater variety and require more storage space to keep varieties segregated. The proposed rules and regulations, the tariff agent said, are standard provisions which have been developed for grain and bean warehousing over a period of many years and govern the storage services of warehousemen in the Sacramento Valley and in the central coast counties. He asserted that standardization of rules is advantageous both to warehousemen and to their customers in that all operations are conducted under provisions which are generally known. He said that, with unimportant exceptions, applicant's rules have not been changed since 1932. In addition to the proposed rate increases and rule changes, applicant seeks to cancel rates for the warehousing of cleaned rice and of certain feeds (fish meal, meat scraps, and tankage). The witness said that applicant has not received those commodities for storage during the past two years and does not anticipate the tender of those commodities in the future.

No one appeared in opposition to granting of the application. Applicant submitted affidavits to show that notices of the hearing had been published in a newspaper of general circulation in the Stockton area, and also that notices had been sent to each of applicant's customers. The record shows that the Commission's secretary sent notices of the hearing to civic organizations, agricultural associations, and other parties believed to be interested.

Viewed solely in the light of revenue requirements, the record shows need for increases in applicant's rates. However, some of the specific rate adjustments which are sought have not been justified. On a percentage basis the individual rate increases vary substantially. They range in amount from 11 percent to 233 percent. None of the sought increases for warehousing during a second season or a portion thereof are less than 160 percent. Applicant's witnesses asserted that the proposed increases in rates for a second season are justified by the fact that commodities held over from the first season must be repled to make room for incoming shipments. Nevertheless, individual increases as substantial and as various as those sought will not be authorized on the basis of general testimony unsupported by specific data relating to the costs of the services involved.

In other respects the evidence relating to the reasonableness of applicant's proposal was in the form of comparisons of the sought rates to those assessed by other warehousemen. However, applicant did not undertake to show that the rates of other warehousemen are a proper standard of reasonableness for its own services. It is well established that rate comparisons are of little probative value unless it is shown that the factors influencing the volume of the compared rates are similar; the party offering such comparisons must show that they are a fair measure of the reasonableness of the rates in issue.⁵

As heretofore stated, one purpose of the proposed changes in applicant's rules and regulations is the achievement of uniformity of rules and regulations with those of other warehouses. Insofar as

⁵ By other comparisons applicant undertook to show that farmers are now receiving substantially higher prices for grain and beans than they did during the five-year periods 1935 to 1939 inclusive, and 1909 to 1914 inclusive. Moreover, they showed that the sought rates would be generally less than 5 percent of the value of the commodities involved. Such evidence tends more to show the propriety of a general increase in applicant's rates than it goes to establish the reasonableness of the specific increases which are sought.

warehousing operations in Stockton are concerned, it appears that the sought changes represent a departure from uniformity. The rules and regulations involved herein also govern the operations of two other Stockton warehousemen. There is no suggestion on this record that corresponding changes will be sought in the tariff rules governing the other warehousemen. With respect to uniformity of rules with those of warehouses elsewhere, no specific need was advanced other than the asserted advantage of operating under rules and regulations which are of common knowledge. Rule uniformity as between competing warehousemen may be a desirable end for the warehousemen and a convenience to the storing public, but in this proceeding there was no showing of strong competitive influences which would tend to justify rule changes for the sole purpose of uniformity. The testimony of applicant's witnesses indicates that applicant's facilities are filled to capacity under its present operating circumstances. Moreover, it is observed that the present rules have been in effect approximately 18 years. It is reasonable to assume that the present rules are well known and understood by the majority of applicant's patrons. Under such circumstances substantial rule changes resulting in increases should not be effected unless specific justification for the individual changes is established. Although the evidence shows that the net revenues which applicant seeks would not be excessive or unreasonable, all of the sought rates will not be authorized for the reasons set forth hereinabove.

An increase of approximately 62½ percent in handling rates and of 10 percent in storage rates would give substantial effect to the increased labor costs and would provide additional revenues to meet other cost increases to which applicant's witnesses attested. The resultant handling and storage rates for beans and grain for services performed during the first season would be virtually the same in total as the combined storage and handling rates which were proposed. On the basis of the data which were included in the engineer's exhibit, it appears that increases in the storage and handling rates in the amounts specified would result in approximately the same net revenues as those applicant seeks.⁶ Upon careful consideration of all of the facts and circumstances of record, the Commission is of the opinion and finds as a fact that applicant has shown as justified the increased rates and charges which are set forth in the order which follows. To the extent indicated, increases in applicant's rates will be authorized. Cancellation of the unused rates for the handling and storage of cleaned rice and feed has been justified, and will also be authorized.

Applicant's representatives asked that any rate increase authority herein granted include permission to publish the increased rates so as to become effective not later than June 1. It was explained that applicant wishes to make the increased rates apply equally to all who tender goods for a season's storage after the beginning of the new storage season. The requested authority will be granted.

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Whether applicant would realize as much additional revenue as indicated would depend in part upon the volume of its services which would be subject to rates for a second or subsequent season. Such rates would be substantially less than those which are proposed. The available data do not permit calculation of probable revenues from second-season rates. It appears that the engineer's calculations were based upon services performed during the first season.

O R D E R

Application having been made in the above-entitled matter, and based upon the evidence received and the conclusions and findings in the preceding opinion,

IT IS HEREBY ORDERED that applicant be and it is hereby authorized to amend its rates and charges as published in California Warehouse Tariff Bureau Warehouse Tariff No. 20-A, Cal.P.U.C. No. 129, on not less than five (5) days' notice to the Commission and to the public, as follows:

1. To establish increased rates for the storage and handling of bags, dried beans, and whole grain as set forth in the Appendix attached hereto and by this reference made part hereof.
2. Subject to the limitations herein stated, to establish increases as follows in the charges specified in the indicated rules of said tariff:
 - a. Rule No. 1(e). Increase minimum storage charges by 10 percent.
 - b. Rules Nos. 6, 7, 10, 11, and 12. Increase by 62½ percent the applicable charges for services of repiling, stenciling, sampling, weighing, and for loading or unloading rail cars.

The charges as increased under the authority of this provision shall not exceed the charges specified for the same services in Sections Two, Four and Five of California Warehouse Tariff Bureau Warehouse Tariff No. 6-C, Cal.P.U.C. No. 134, a copy of which is part of the amendment to the above-numbered application and is designated as Exhibit "D" thereof.

3. To cancel from said tariff the rates contained in Item No. 20 thereof for the handling and storage of feed, viz., fish meal, meat scraps and tankage, and rates contained in Item No. 35 for the handling and storage of cleaned rice.

IT IS HEREBY FURTHER ORDERED that in computing the increased rates and charges herein authorized, the following will govern in the disposition of fractions:

Where present rates or charges are 10 cents or less:

Fractions of less than $\frac{1}{4}$ or .25 cent omit.

Fractions of $\frac{1}{4}$ or .25 of a cent or greater but less than $\frac{3}{4}$ or .75 of a cent will be stated at $\frac{1}{2}$ or .50 of a cent;

Fractions of $\frac{3}{4}$ or .75 of a cent or greater, increase to the next whole figure.

Where present rates or charges are over 10 cents:

Fractions of less than $\frac{1}{2}$ or .50 of a cent omit.

Fractions of $\frac{1}{2}$ or .50 of a cent or greater, increase to the next whole figure.

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

IT IS HEREBY FURTHER ORDERED that in all other respects the application be and it is hereby denied.

This order shall become effective June 1, 1950.

Dated at San Francisco, California, this 23rd day of May, 1950.

R. E. Indurana
Justin J. Calmes
Robert L. Lowell
Harold P. Kils

Commissioners
Koneta Potter

APPENDIX TO DECISION NO. 44228
 IN APPLICATION NO. 30965

Table of Authorized Increased Rates
 (In Cents per Package or Quantity Specified)

Commodity	Storage	Handling
BAGS, EMPTY - N.O.S.		
Bale, 500 bags or less:		
First month, per bale	16	
Each month thereafter, per bale	11	
Receiving from warehouse door, per bale		17
Delivering to warehouse door, per bale		17
Bale, 501 to and including 1,000 bags:		
First month, per bale	27	
Each month thereafter, per bale	17	
Receiving from warehouse door, per bale		24
Delivering to warehouse door, per bale		24
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BEANS, DRIED, IN BEAN BAGS, (Includes dried beans stored in transit for cleaning)		
<u>First Season</u>		
Storage, first 30 days or less, per 2,000 pounds	225	
Storage, over 30 days but not over 60 days, per 2,000 pounds	275	
Storage, over 60 days but not over 90 days, per 2,000 pounds	300	
Storage, over 90 days and up to the following:		
August 31, per 2,000 pounds	325	
<u>Second and Each Subsequent Season</u>		
Storage, first 30 days or less, per 2,000 pounds	55	
Storage, over 30 days but not over 60 days, per 2,000 pounds	83	
Storage, over 60 days but not over 90 days, per 2,000 pounds	110	
Storage, over 90 days and up to the following:		
August 31, per 2,000 pounds	138	

Rates include receiving into warehouse from any means of transportation, including unloading cars and weighing-in, and delivery from warehouse to any means of transportation, including weighing-out and loading cars.

Table of Authorized Increased Rates (Concluded)
(In Cents per Package or Quantity Specified)

Commodity	Storage	Handling
GRAIN, WHOLE, Including Corn		
<u>First Season</u>		
Storage, first 30 days or less, per 2,000 pounds	200	
Storage, over 30 days but not over 60 days, per 2,000 pounds	250	
Storage, over 60 days and up to the following: May 31, per 2,000 pounds	275	
<u>Second and Each Subsequent Season</u>		
Storage, first 30 days or less, per 2,000 pounds	55	
Storage, over 30 days but not over 60 days, per 2,000 pounds	83	
Storage, over 60 days and up to the following: May 31, per 2,000 pounds	110	
Rates include receiving into warehouse from any means of transportation, including unloading cars and weighing-in and delivering from warehouse to any means of transporta- tion, including weighing-out and loading cars.		

End of Appendix