

ORIGINALDecision No. 46818

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of Crescent Warehouse Co., Ltd. }
requesting authority to increase }
rates. }

Application No. 32993

Appearances

Arlo D. Poe, for applicant.

Jackson W. Kendall for Bekins Van Lines, Inc.,
interested party.O P I N I O N

Crescent Warehouse Co., Ltd. operates public utility warehousing facilities for the storage and handling of general commodities on Terminal Island in the City of Los Angeles. By this application it seeks authority to increase its tariff rates and charges.

Public hearing was held before Examiner Bryant at Los Angeles, on February 13, 1952. The matter is ready for decision.

Applicant company is a wholly owned subsidiary of Crescent Wharf and Warehouse Company, a corporation engaged in public warehousing in Long Beach but whose principal operation is the stevedoring and handling of ships' cargo at the harbors of Los Angeles, Long Beach, and San Diego. Applicant's principal business is the public warehousing service herein involved, although it also performs nonutility services which account for about a third of its gross revenues. ¹ The warehouse services are conducted in four one-story

1. The nonutility revenues accrue principally from the operation of an open storage yard.

buildings, having a gross floor area of about 77,000 square feet. The buildings are all located on Seaside Avenue, Terminal Island, in close proximity to the waterfront.

Applicant alleges that its costs of operation, particularly the wages and salaries paid to warehouse laborers and to clerical and supervisory employees, have increased substantially since its rates were last adjusted.² Assertedly the warehouse operations are not being conducted at a profit and the present rates and charges are unreasonably low.

Evidence in support of the application was offered by applicant's president, by the vice president, and by the auditor.³ Financial exhibits were submitted consisting of balance sheets, profit-and-loss statements, rate base data, labor wage scales, and a calculation of the effect of the proposed increased charges. The showing of revenue needs for the future was based principally upon the experience for the year 1951, modified to show the additional expenses which would have resulted from application of current wages throughout the year, and to show the revenue effect of the

2

Applicant's charges for handling goods in and out of the warehouse and for other labor services were last changed on August 10, 1948. Its storage charges have been in effect without material change since 1937.

3

The officers hold the same positions with the parent corporation.

proposed rate increases. The following Table 1, condensed directly from applicant's exhibits, shows the results of operations for the year 1951:

Table 1

ACTUAL EXPERIENCE FOR
YEAR ENDING DECEMBER 31, 1951

<u>Item</u>	<u>Utility</u>	<u>Nonutility</u>	<u>Total</u>
Revenues:			
Storage	\$ 43,348	\$ 18,519	\$ 61,867
Handling	14,391	10,303	24,694
Other labor services	6,090	1,690	7,780
Miscellaneous	<u>2,051</u>	<u>3,806</u>	<u>5,857</u>
Total Revenues	\$ 65,880	\$ 34,318	\$100,198
Expenses:			
Labor	\$ 16,831	\$ 8,966	\$ 25,797
Salaries:			
General officers	6,006	3,129	9,135
General office employees	8,621	4,491	13,112
Superintendent	3,727	3,727	7,454
Depreciation, bldgs. and equip.	5,980	835	6,815
Repairs, bldgs. and equip.	6,763	413	7,176
Office supplies and expense	2,133	1,111	3,244
Taxes and licenses	5,401	2,326	7,727
Other expenses	<u>8,523</u>	<u>11,568</u>	<u>20,091</u>
Total Expenses	\$ 63,985	\$ 36,566	\$100,551
Net Revenue (Before Tax)	\$ 1,895	\$ (2,248)	\$ (353)
Federal Income Tax	<u>569</u>	<u>-</u>	<u>-</u>
Net Revenue After Tax	\$ 1,326	\$ (2,248)	\$ (353)

() - Loss

The segregations between utility and nonutility operations were submitted and explained in some detail. In general, all of the revenues and most of the expenses were allocated directly to each particular operation in accordance with records maintained by the company for that purpose. Certain general expenses, including particularly those for office supplies and the salaries of officers and office employees, were allocated for purposes of this proceeding

proportionately to the gross revenues. It was testified that the latter method fairly apportioned these expenses in proper relationship to the services for which they were incurred.

The rate base submitted by applicant consists of the historical depreciated book cost of the land, buildings and other properties, plus working capital and certain organization cost and prepaid items. Applicant's auditor declared that the current values of the properties are several times those recorded on the books, and he stated that an appropriate rate base would be substantially greater than that which he submitted. He said, however, that development of a full rate base was unnecessary for the purpose of this proceeding because the anticipated revenues under the sought rates would provide only a meager return however measured. Applicant's rate-base data are shown in the following Table 2:

Table 2
RATE BASE AS DEVELOPED BY APPLICANT

Item	Utility	Nonutility	Total
Land	\$ 29,018.00	\$ -	\$ 29,018.00
Buildings and structures	113,647.13	-	113,647.13
Warehouse equipment	27,530.89	-	27,530.89
Furniture and fixtures	2,044.24	-	2,044.24
Spur track	3,897.36	3,897.36	7,794.72
Storage yard improvements, tanks, etc. .	-	35,432.25	35,432.25
Scales	1,501.85	1,501.84	3,003.69
Organization actual cost	1,064.95	-	1,064.95
Prepaid taxes and licenses	1,829.88	635.09	2,464.97
Prepaid insurance premiums	2,358.09	18.80	2,376.89
Working capital - 1/6 of yearly revenue	<u>10,979.61</u>	<u>5,719.36</u>	<u>16,698.97</u>
Total	\$ <u>193,872.00</u>	\$ <u>47,204.70</u>	\$ <u>241,076.70</u>
<u>DEPRECIATION RESERVES:</u>			
Buildings and structures	\$ 46,882.38	\$ -	\$ 46,882.38
Warehouse equipment	13,978.34	-	13,978.34
Furniture and fixtures	1,630.91	-	1,630.91
Spur track	3,280.36	3,280.36	6,560.72
Storage yard improvements, tanks, etc.	-	32,255.16	32,255.16
Scales	<u>778.11</u>	<u>778.12</u>	<u>1,556.23</u>
Total Depreciation Reserves	\$ <u>66,550.10</u>	\$ <u>36,313.64</u>	\$ <u>102,863.74</u>
Net After Depreciation Reserves (Rate Base)	\$ <u>127,321.90</u>	\$ <u>10,891.06</u>	\$ <u>138,212.96</u>

The auditor testified that applicant's warehouse labor wage scales were increased on June 18, 1951, and that the overtime provisions were changed on February 5, 1952. He calculated that if the present union contract provisions had been in effect throughout the year 1951 the company's labor costs would have been greater by \$3,250.67. If the rate increases sought in this proceeding had been in effect throughout the year the company's revenue would have been greater by \$9,967.85, he determined. The auditor indicated that these figures were conservative inasmuch as they actually understated the expenses and overstated the revenues.⁴ The president pointed out that the latest wage adjustment came after the present application was filed, and he declared that the rates herein proposed may prove to be less than those which the company will later find to be necessary. The following table, developed from the company's exhibits, shows the results which would have obtained, under present and proposed rates, if the present labor provisions had been in effect throughout the year 1951.

⁴ For example, the company's policy is to adjust salaries of office employees consistent with the wage increases paid to warehouse laborers. No provision was made in his exhibits for the expense of such an adjustment. Also, the revenue figure assumed a minor increase from a source which would not be affected by the granting of this application.

Table 3

ESTIMATED RESULTS OF PUBLIC UTILITY
OPERATIONS FOR THE RATE YEAR

<u>Item</u>	<u>Under Present Rates</u>	<u>Under Proposed Rates</u>
Revenues:		
Storage	\$ 43,348	\$ 47,683
Handling	<u>22,532</u>	<u>28,165</u>
Total Revenues	\$ 65,880	\$ 75,848
Expenses:		
Labor (1951 actual)	\$ 16,831	\$ 16,831
Increased labor costs (1)	3,251	3,251
Salaries:		
General Officers	6,006	6,006
General office employees	8,621	8,621
Superintendent	3,727	3,727
Depreciation, bldgs. and equip.	5,980	5,980
Repairs, bldgs. and equip.	6,763	6,763
Office supplies and expense	2,133	2,133
Taxes and licenses	5,401	5,401
Miscellaneous	<u>8,523</u>	<u>8,523</u>
Total Expenses	\$ 67,236	\$ 67,236
Net Revenues, before income tax	\$ <u>(1,350)</u>	\$ 8,612
Federal Income Tax	-	\$ 2,583
Net Revenues*	\$ <u>(1,350)</u>	\$ 6,029
Operating Ratio* (2)	102.1%	92.1%
Rate Base (3)	\$127,322	\$127,322
Rate of return*	-	4.7%
<u> </u>) Loss		

* After provision for income tax.

- (1) Additional expense which would have been incurred if present warehousemen's wages had been in effect throughout the year 1951.
- (2) Total expense, including federal income tax, divided by total revenue. Not computed by applicant. Applicant's counsel argued that operating ratio affords an unsatisfactory measure of the revenue needs of this company.
- (3) The inclusion of prepaid taxes, licenses and insurance premiums in the rate base (as shown in Table 2) may be questioned, as may the basing of working capital upon one-sixth of the yearly revenue. However, all of these items together amount to less than \$15,000 for the utility operation, and any modification of them would have little effect upon the final results herein.

The customary notices of the hearing were sent by the Commission's secretary to persons and organizations believed to be interested. In addition, all of applicant's patrons were given advance notice of the hearing by a letter from the company's president.⁵ No one appeared at the hearing to oppose the sought increases.

The record is convincing that applicant must have greater revenues if it is to receive reasonable earnings from its public warehousing services. The existing rates, according to the evidence, are insufficient to return the cost of performing the service. The proposed rates, as indicated in Table 3, would return estimated net revenues, after taxes, of about \$6,000, representing an annual return of less than 5 percent on the rate base. It is clear that the anticipated revenues would not be excessive.

Aside from the matter of the over-all revenues, consideration must be given to the form of the increases proposed. Applicant seeks authority to increase its storage charges by 10 percent and to increase its other rates and charges, covering generally handling and labor services, by 25 percent. The vice president testified that in his opinion the expenses attributable to the storage services had increased substantially more than 10 percent since the storage rates were last adjusted in 1937, and he offered an exhibit to show that the wage scales paid to warehouse labor had increased more than 40 percent since the tariff charges for handling and other labor services were last adjusted in August, 1948. He declared that the proposed charges are in general lower than those prevailing in the commercial areas of either Los Angeles or San Francisco.

⁵ The record shows that the letter was sent by first class mail on January 31, 1952, to the 219 storers which the company had on that date.

The present charges of Crescent Warehouse Co., Ltd. are published in a tariff in which other warehousemen in the Los Angeles and Long Beach harbor areas participate.⁶ The establishment by applicant of the increased charges herein proposed would thus terminate a period of rate uniformity in the harbor area, and would involve the publication by applicant of a separate tariff. According to the evidence, conditions and circumstances which differentiate applicant's operations from those of its apparent competitors make this departure from the rate uniformity necessary.⁷

The form of the increases proposed by applicant appears to be reasonable under all of the circumstances. However, as this proceeding involves primarily applicant's over-all revenue requirements, no study has been made of individual rates or charges. In authorizing applicant to increase its rates and charges by given percentages the Commission does not make a finding of fact of the reasonableness of any particular rate or charge.

Upon consideration of all of the facts and circumstances of record, the Commission finds as a fact that the increases proposed by the applicant in this proceeding are justified. Applicant asks that it be authorized to establish the increased charges upon five days' notice. In view of the company's immediate need for the additional revenues, the requested authority will be granted.

⁶ California Warehouse Tariff Bureau warehouse Tariff No. 13-A, Cal. P.U.C. No. 103 of Jack L. Dawson, agent.

⁷ The record shows that applicant, as a consequence of its close relationship to the vessel operations, is required to draw its warehouse employees from the same sources that supply longshoremen and stevedores, and that its wage rates and unit labor costs are substantially higher than those incurred by the other warehouse companies. It was testified also that applicant's services are not directly competitive with the other companies, particularly for the reason that patrons of the other companies incur greater expense in trucking their goods between the docks and the place of storage.

O R D E R

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

IT IS HEREBY ORDERED that Crescent Warehouse Co., Ltd. be and it is hereby authorized to establish, on not less than five (5) days' notice to the Commission and the public, increased rates and charges as proposed in the above-entitled application and as specifically set forth in Exhibit No. 7 of record in this proceeding.

IT IS HEREBY FURTHER ORDERED that the authority herein granted is subject to the express condition that applicant will never urge before this Commission in any proceeding under Section 734 of the Public Utilities Code, or in any other proceeding, that the opinion and order herein constitute a finding of fact of the reasonableness of any particular rate or charge, and that the filing of rates and charges pursuant to the authority herein granted will be construed as consent to this condition.

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall expire unless exercised within sixty (60) days after the effective date of this order.

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

Dated at Los Angeles, California, this 4th day of March, 1952.

A. J. [Signature]
President
Justin F. [Signature]
Arnold [Signature]

Commissioners