

ORIGINALDecision No. 47849

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 SAN JOAQUIN COMPRESS & WAREHOUSE)
 COMPANY, Bakersfield, California,) Application No. 33642
 for authority under Section 454 of)
 the Public Utilities Code to increase)
 its present existing warehouse rates.)

Appearances

L. H. Stewart, for applicant.

O P I N I O N

San Joaquin Compress & Warehouse Company is engaged in the business of compressing and warehousing cotton at a location near Bakersfield. It seeks authority to increase its rates and charges applicable to its warehouse operations on less than statutory notice.

Public hearing of the application was held before Examiner Abernathy at Bakersfield on September 3, 1952, and the matter was taken under submission on September 11, 1952.

Applicant's present rates for the warehousing of cotton and those which it seeks to establish are shown in the margin below. The present rates were established October 9, 1948. Applicant alleges that since then its operating expenses in general, and those for labor particularly, have increased greatly. It alleges that as a consequence of the increases in costs its operations are being conducted at a loss.

Evidence in support of the allegations was submitted by applicant's general manager and by its comptroller. These witnesses introduced and explained exhibits which set forth among other things

Present and proposed rates -	Present rates per bale	Proposed rates per bale (See Note)
Storage, per month or part thereof	\$.30	\$.43
Handling.....	.75	1.00
Sampling and weighing		
In storage.....	.60	.75
On delivery or when other service is being performed.....	.50	.55
Sampling or weighing		
In storage.....	.35	.40
On delivery or when other service is being performed.....	.25	.30
Delivering uncompressed cotton.....	1.00	1.50
Tagging06	.07
Government loan cotton, transmit- ting samples, postage, filling out schedules of pledged cotton, and signing of loan papers.....	.25	.35
Extra services	1.85*	2.50*

* Per man, per hour.

Note: Applicant's proposals also include the cancellation of a rate of 28 cents a bale for high density compressed cotton, the cancellation of rates for removing tags from bales of cotton, the establishment of a requirement that delivery orders and service orders be presented in triplicate instead of in duplicate, as at present, and a modification of the rule governing the hours that the warehouse is open for the receipt or delivery of shipments. The various proposals are more specifically set forth in the application, as amended.

the company's financial position as of June 30, 1952, its revenues and expenses for the year which ended with that date, and estimates of additional revenues that the sought rates would return.² Revenues and expenses for the warehouse operations during the 1951-1952 fiscal year were reported as follows:

Revenues, Expenses, and Net Results - Warehouse Operations
Year Ended June 30, 1952

Revenues	
Storage	\$ 41,851
Handling	55,185
Other	<u>23,484</u>
Total revenues	\$ 120,520
Expenses	
Salaries and wages	\$ 105,603
Maintenance and repairs	13,942
Insurance	3,081
Automobile expense	1,653
Supplies	2,360
Taxes	6,235
Depreciation	19,651
Office expense and miscellaneous	<u>6,591</u>
Total expenses	\$ 159,116
Loss	\$ 38,596

For the previous year, that which ended with June 30, 1951, a loss of \$15,869 was shown for the warehouse operations. The greater loss for the later period was attributed to the fact that a substantially greater number of bales of cotton was handled during that time than during the previous year. According to the revenue and expense figures, the costs which were incurred in handling the greater volume of business more than offset the additional revenues which were realized therefrom.

Applicant's manager developed that the sought rates and charges would have produced \$39,560 in additional revenues had they been in effect throughout the 1951-1952 fiscal period, and would have

² Applicant's records are maintained on a fiscal year basis ending with June 30 of each year in order to conform to the seasonal growing and marketing of cotton.

resulted in net earnings of only \$964. This latter amount, he pointed out, represents only a meager return on the book value of the properties utilized in the warehouse services.³ With respect to his company's operations during the coming year, the witness expected that the sought rates would produce results much the same as those that would have been attained had the rates been charged during the 1952 fiscal year. He indicated, however, that the warehousing of cotton is particularly susceptible to changes in the cotton loan program of the federal government and to changes in world trade conditions and that predictions for the future, therefore, necessarily are uncertain.

The manager said that establishment of the sought rates would place the rates of the company above those of competing warehousemen. He conceded that the differential in rates might result in some diversion of business to such competitors. Notwithstanding

³ The following were represented as the book valuations of the properties used in the warehouse operations:

Land		\$ 40,355
Buildings	\$ 166,344	
Warehouse equipment	32,911	
Office equipment	2,755	
Side tracks	7,082	
Gas tanks	574	
Fences	1,265	
Paving	15,082	
Sewers	984	
Sprinkler system	69,896	
Water system	<u>5,815</u>	
	\$ 302,708	
Less depreciation	<u>151,065</u>	\$ 151,643
Materials and supplies		<u>1,939</u>
Total		\$ 193,937

the possible loss of business, he was of the opinion that the rate increases are essential to the preservation of the company's earning position with respect to its warehousing operations.

Explaining some of the rate and rule proposals herein, the manager said that the storage rate which is sought corresponds to that which generally applies nationally and which is recognized by the Commodity Credit Corporation in its warehousing contracts. Cancellation of the present rate that applies specifically for the storage of bales of cotton which have been compressed to high density is sought because the lower rate for such cotton assertedly is not justified from a cost standpoint. The witness stated that the assessing of the same rate for high density as for standard density cotton would not affect his company's revenues greatly because relatively little high density compressed cotton is placed in storage in the Bakersfield area. Regarding the proposed cancellation of rates for the removal of tags from bales of cotton, he said that cotton is required by law to be tagged to show its origin and that by not specifically providing rates for removing tags his company is endeavoring to avoid becoming a party to illegal tag removals. He stated that the requirement that delivery and service orders be submitted in triplicate instead of duplicate is sought as a means of facilitating the company's accounting procedures.

Notices of the proposed increases and of the hearing in this proceeding were sent by applicant to its patrons. In addition, notices of the hearing were sent by the Commission's secretary to persons and organizations believed to be interested. No one opposed the granting of the application.

Applicant's showing in this proceeding regarding the unprofitableness of its warehouse operations under present rates and charges is generally persuasive. In certain respects, however, the showing appears to overstate the expenses and thereby to set forth a more adverse picture than actually prevails. Applicant included in its expenses for the 1951-1952 fiscal year a charge for repairs which apparently should have been applied in part against subsequent years' operations. Its charges to depreciation expense appear excessive by reason of having been computed at rates allowed for tax purposes without specific regard to the service lives of the properties involved. Also, applicant made charges against the warehouse operations for interest expense, travel expense, donations and association dues. It is questionable whether any of these latter charges should have been applied against the warehouse operations.

Detailed discussion of the individual adjustments indicated is not necessary, however. The evidence is clear that after allowance for the total amount of the adjustments which may be made reasonably, a loss of more than \$20,000 is reportable for the company's warehouse services during the 1951-1952 fiscal year. Had the rates and charges which are proposed herein been applicable throughout the year, the adjusted earnings would not have exceeded \$12,000 after income taxes. The equivalent rate of return would have been less than 7 percent and the operating ratio would have been about 92 percent.

It is evident from the foregoing review of the evidence in this proceeding that applicant's present rates and charges do not return sufficient revenues to meet the costs of the service involved and to provide a reasonable return. It appears that increases in the

rates and charges are necessary to the preservation of the services for the public. We find that the net income which the rates authorized herein will produce is reasonable when related to the rate base and the operating ratio herein. We further find that except as specified hereinafter the sought increases in applicant's rates and charges and the other proposed tariff changes have been justified. To this extent the application will be granted.

In two minor respects it appears that the sought authority should not be granted. First, with respect to sampling and weighing of cotton in storage, applicant proposes a charge for the combined services which is greater than the sum of the charges for the services separately. Its present charge for the combined services is equal to the aggregate of the separate charges which are proposed. For the purposes of tariff clarity it appears that no increase in the charge for the combined services should be made. Second, it is not apparent that imposition of the proposed requirement that delivery and service orders be submitted in triplicate instead of duplicate, as at present, would be a reasonable requirement of storers. The evidence is clear, moreover, that applicant does not contemplate a strict application of the sought rule. Rules should not be included in tariffs of public utility warehousemen unless they are to be applied uniformly and without discrimination.

In this proceeding the proposed rates and charges have been considered primarily in the light of their over-all revenue aspects. The conclusions herein regarding the reasonableness of the anticipated earnings under the sought rates and charges should not be construed as a finding of reasonableness with respect to the individual adjustments.

O R D E R

Public hearing having been held of the application, as amended, in the above-entitled proceeding, the evidence received therein having been considered carefully, and good cause appearing,

IT IS HEREBY ORDERED that San Joaquin Compress & Warehouse Company be and it is hereby authorized to amend its Warehouse Tariff No. 10, Cal. P.U.C. No. 10, on not less than five (5) days' notice to the Commission and to the public, so as to establish the rates, charges and other tariff changes proposed in its application, as amended, in this proceeding and as set forth in Footnote 1 of the Opinion hereinabove, except that the authority herein granted does not apply (a) to the proposed rate of 75 cents per bale for the sampling and weighing, at the same time, of cotton in storage and (b) to the proposed requirements that delivery orders, resampling, reweighing and special service orders be furnished in triplicate.

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 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.

IT IS HEREBY FURTHER ORDERED that except as hereinabove provided the application, as amended, in this proceeding be and it is hereby denied.

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

Dated at San Francisco, California, this 21st day of October, 1952.

A. J. Immerson
President
Justice F. O'Brien
Harold K. Hills
Francis P. Patton
John L. Mitchell
Commissioners