

**ORIGINAL**

Decision No. 48109

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )	
Anderson Cartage & Warehouse Co., )	Application No. 33784
Bekins Van Lines, et al., for )	
authority to increase rates. )	

Appearances

Reginald L. Vaughan and J. L. Lyons,  
for applicants.  
Jack L. Dawson, for California Ware-  
housemen's Association.

O P I N I O N

Applicants in this proceeding are engaged in operating warehouses for storage and handling of general commodities in Sacramento, Stockton and Fresno. They seek authority to increase their rates and charges.

Public hearing was held in Stockton on October 29, 1952, before Examiner Lake.

Notices of the proposed increases and of the hearing in this proceeding were sent by applicants to their 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.

Applicants' proposal is specifically set forth in Appendix "A" hereof. In general, they seek to increase their rates applicable to the storage and handling of general commodities by approximately 25 percent and to provide a charge of 25 cents each, for the handling of customers' withdrawal orders in lieu of the present charge of 20 cents per delivery.

Evidence was offered by applicants' tariff publishing agent and by their consulting engineer:

Except for minor modifications, applicants' rates and charges have not been adjusted since 1939. The tariff agent alleged that since that time applicants have experienced steadily rising costs in all phases of their operating expenses. Warehouse labor rates have increased from a range of 68 to 70 cents per man per hour in 1939 to a range of 165 to 172½ cents per man per hour at the present time. In addition, he stated that the costs of warehouse rentals, insurance, taxes, materials and supplies, and other items of expense have experienced substantial increases. The witness contended that as a result of such increases the present warehouse rates and charges are inadequate to provide revenues sufficient to meet operating expenses and leave a reasonable profit.

The revenue needs of applicants were analyzed and developed by the consulting engineer who submitted revenue and expense statements, rate bases and other related data. His study was based essentially upon the operating experience of 8 of the 15 applicant companies for a 12-month period ending December 31, 1951, adjusted to reflect cost levels existing on that date. Under the proposed rates adjustments were made in the operating results to reflect present cost levels. The 8 companies, according to his testimony, were those substantially engaged in public storage of general commodities.

The witnesses stated that the applicants, other than the 8 whose operations he studied, were omitted because of the preponderance of their nonutility services or the limited scope of their warehouse operations. The following table, developed from the consultant's exhibits, shows the estimated operating results under present and proposed rates and charges:

## TABLE NO. I

RESULTS OF OPERATIONS OF ALL OPERATORS COVERED BY EXHIBITS  
FOR YEAR ENDING DECEMBER 31, 1951  
UNDER PRESENT RATES AND 1951 COST LEVELS, AND UNDER PROPOSED RATES AND PRESENT  
COST LEVELS

Operator Number	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	Totals & Averages
<u>UNDER PRESENT RATES AND 1951 COST LEVELS</u>									
Revenues	\$ 39,098	\$ 50,719	\$ 66,506	\$ 75,614	\$ 34,469	\$ 8,821	\$ 34,059	\$ 82,679	\$391,965
Expenses	40,930	54,911	69,723	83,030	37,554	9,679	32,940	105,696	439,463
Net for Return	(1,832)	(4,192)	(3,217)	(12,416)	(3,085)	(858)	1,119	(23,017)	(47,498)
Operating Ratio	104.7%	108.3%	104.8%	116.4%	108.9%	109.7%	96.7%	127.8%	112.1%
<u>UNDER PROPOSED RATES AND PRESENT COST LEVELS</u>									
1. Revenues (Present)	\$ 39,098	\$ 50,719	\$ 66,506	\$ 75,614	\$ 34,469	\$ 8,821	\$ 34,059	\$ 82,679	\$391,965
2. Increases (Proposed)	9,775	12,680	16,626	18,903	8,617	2,205	8,515	20,670	97,991
3. Revenues as Proposed	48,873	63,399	83,132	94,517	43,086	11,026	42,574	103,349	489,956
4. Expenses	42,107	56,154	71,944	85,956	38,539	9,921	39,457	113,046	457,124
5. Net before Income Tax	6,766	7,245	11,188	8,561	4,547	1,105	3,117	(9,697)	32,832
Income Tax	2,030	2,174	3,356	2,568	1,364	332	935	-	12,759
Net for Return	4,736	5,071	7,832	5,993	3,183	773	2,182	(9,697)	20,073
8. Operating Ratio	90.3%	92.0%	90.6%	93.7%	92.6%	93.0%	94.9%	109.4%	95.9%
9. Rate Base	\$ 80,254	-	-	-	\$ 37,644	\$ 17,656	\$120,875		
10. Return on Rate Base	5.9%				8.5%	4.4%	1.8%		

( ) Indicates Loss.

The witness stated that the revenues shown in the table under present rates were taken generally from the books of the operators. In the case of one operator his investigation, he said, disclosed some overcharges and the revenues were re-estimated on the basis of the tariff rates.<sup>1</sup> In another case the operator maintained rates on a basis lower than those of the other warehousemen and the revenues were restated on the level of the rates of the other operators.<sup>2</sup> With respect to expenses the witness said that it was necessary in most instances to make segregations between utility and nonutility services. The allocations, he testified, were based upon recognized practices and followed past procedures in matters of this kind.

As will be noted from the foregoing table, a rate base was developed for only 4 of the operators studied. The witness testified that the premises used by these warehousemen were owned either by the operator or closely affiliated interests and the rate base was developed from historical costs from the books of the owners. He said that facilities operated by the other warehousemen were rented from outside interests and he claimed that it was impossible to determine a satisfactory rate base. Consideration, he said, had been given to the development of a synthetic rate base for the other operators through capitalization of rents, but the assumptions necessary to do so would be many and the end result would not have been satisfactory.

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1

According to the record, the operator which collected charges in excess of its tariff rates has undertaken to make the necessary refunds.

2

For this operator the sought increase would be somewhat higher than 25 percent.

The consultant's study, as summarized in the foregoing table, appears to develop fairly the revenue requirements of the applicant warehousemen. It is clear that an increase in the net revenues is necessary.

To meet their revenue needs applicants seek to apply to their present rates an increase of 25 percent. On this record such an increase appears necessary if the operators as a group are to be maintained in a sound financial condition. We find said increase to be justified. However, increases of this nature are not entirely predicated upon all of the costs of performing the various services. With respect to horizontal increases, the Commission in Decision No. 47910, dated November 5, 1952, in Case No. 4084, stated "In nowise does it (a horizontal increase) produce a stabilized rate structure reflective of the costs of transportation or other rate-making elements for any particular commodity or for any class of traffic. A rate structure not founded upon fundamental rate-making principles is injurious to both carriers and shippers alike." This principle is equally applicable to operations conducted by warehousemen maintaining different rates for various commodities and for various services.

The rates herein authorized to be established are not intended to provide a basis for future modification. Nor should the conclusions herein regarding the reasonableness of the anticipated earnings under the sought rates and charges be construed as a finding of reasonableness with respect to individual rates or charges. Applicants are cautioned to apply the increases herein authorized assiduously lest they create maladjustments or distortions in their rate structures.

In view of the evident need for increased revenue, authority will be granted to establish the increases herein authorized on less than statutory notice.

O R D E R

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

IT IS HEREBY ORDERED that applicants be and they are hereby authorized to establish, on not less than ten (10) days' notice to the Commission and the public, the increased rates and charges proposed in the above-entitled application and set forth in Appendix "A" hereof.

IT IS HEREBY FURTHER ORDERED that the authority herein granted is subject to the express condition that applicants 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 San Francisco, California, this 22nd day of December, 1952.

J. F. [Signature]  
President

Justus F. [Signature]

Harold P. [Signature]

[Signature]

[Signature]  
Commissioners

APPENDIX "A" TO DECISION NO 18109

1. To increase by 25% all rates and charges named in the following tariffs:

California Warehouse Tariff Bureau Warehouse Tariff No. 18,  
Cal. P.U.C. No. 108 (L. A. Bailey series),  
California Warehouse Tariff Bureau Warehouse Tariff No. 20-B,  
Cal. P.U.C. No. 144 (L. A. Bailey series),  
Haslett Warehouse Company Warehouse Tariff No. 9, Cal. P.U.C.  
No. 14.

2. To cancel State Center Warehouse & Cold Storage Company Warehouse Tariff No. 2, Cal. P.U.C. No. 2, and make State Center Warehouse & Cold Storage Company a party to the rates proposed by this application in California Warehouse Tariff Bureau Warehouse Tariff No. 18, Cal. P.U.C. No. 108 (L. A. Bailey series).

3. In publishing the increases proposed by this application, to dispose of fractions as follows:

- (a) Where the present rate or charge is less than 5 cents:

Fractions of less than .125 -- omit.  
Fractions of .125 or greater but less than .375 -- 1/4 cent.  
Fractions of .375 or greater but less than .625 -- 1/2 cent.  
Fractions of .625 or greater but less than .875 -- 3/4 cent.  
Fractions of .875 or greater -- 1 cent.

- (b) Where present rate or charge is 5 cents or greater but less than 10 cents:

Fractions of less than .375 -- omit.  
Fractions of .375 or greater but less than .875 -- 1/2 cent.  
Fractions of .875 or greater -- 1 cent.

- (c) Where present rate or charge is 10 cents or greater:

Fractions of less than .5 cents -- omit.  
Fractions of .5 or greater - 1 cent.

4. To publish the following in lieu of Rule 37 series of California Warehouse Tariff Bureau Warehouse Tariff No. 18, Cal. P.U.C. No. 108 (L. A. Bailey series):

RATE FOR STORAGE WITHDRAWALS

RULE 37-A -- The handling rates do not include clerical expense incident to handling customers' orders for withdrawal of merchandise from storage and an extra charge of 25 cents will be made for each such withdrawal, in addition to all other applicable accessorial charges provided in the tariff. (Cancels Rule 37.)