

ORIGINAL

Decision No. 48807

results of the studies referred to above were presented by an engi-
BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
No additional evidence was offered

In the Matter of the Application of)
Allen Warehouse Company of California,)
a corporation, California Cotton) of this matter, a consulting engi-
Cooperative Association, Ltd., a non-) Application No. 33842
profit association, Calwa Compress) calculations of the annual
Company, a corporation, and Haslett)
Compress Company, a corporation, for) applicant's public utility
authority to increase rates.)
warehouse operations under the present and the proposed rates. The

calculations involved the comparison of)
J. G. Lyons and Reginald L. Vaughan, for applicants,)
Jack L. Dawson and A. B. Christiansen, for California)
Warehousemen's Association, L. H. Stewart, for)
San Joaquin Compress & Warehouse Co., and F. B.)
Wilmer, for Western Compress Co., interested)
parties,)
O. B. Iiersch, for the Commission's staff.)

based on an over-all basis without segregation of the expenses
attributable to the various)
OPINION ON FURTHER HEARING)
No. 48137, supra,

Applicants are engaged in the business of warehousing and
compressing cotton at various points in the San Joaquin Valley.
Decision No. 48137 of January 6, 1953, in this proceeding, granted
applicants authority to increase certain of their public-utility
warehouse rates. The decision also reopened the record and in-
structed the Commission's staff to undertake studies of applicants'
operations designed to resolve deficiencies and conflicts in the
evidence of record and to present the results at a further hearing.
Provision was made also for the receipt at that time of such addi-
tional evidence as applicants might wish to submit to supplement
their showing.

A further hearing of the matter was held at Fresno on
May 27, 1953, before Commissioner Potter and Examiner Jacopi. The

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As shown in the said Decision No. 48137, the compressing opera-
tions are performed as nonpublic utility services.
in view of the conflict in the

evidence, the annual report figures were adopted in the aforesaid Decision No. 48137 for determining Haslett's revenue needs. On this basis, however, the earnings anticipated under the sought rates were considered excessive and Haslett was authorized to establish for the handling and storage of cotton increases in rates that were less than the full advances sought. As previously stated, in taking such action the Commission also instructed its staff to make studies of the operations designed to reconcile the conflicts and deficiencies in the financial operating results introduced at the original hearing.

At the further hearing held in this matter, an engineer of the Commission's staff testified that he had made a thorough study of Haslett's books and operating data and of the reasons for the difference between the operating results for the public utility operations as set forth in the annual report and those introduced by the consulting engineer. According to his testimony, the figures in the annual report were prepared by an accountant who used bases for the separations of the warehouse revenues and expenses which were not as precise as those developed by the consulting engineer. As a result, the witness said, the operating expenses shown in the annual report for the warehouse services were understated substantially and produced financial results of operation which did not reasonably portray the true earning position.

In addition, the staff engineer presented a comprehensive study of the revenues and expenses for Haslett's warehouse services based upon operations in the storage year ended in 1952. The operating expenses in these calculations were adjusted to reflect current wage and other cost levels. As summarized from the staff engineer's

exhibit, the tabulation which follows shows the annual results of the warehouse operations under the rate levels indicated.

Haslett Warehouse Company
Estimated Annual Results of Public Utility
Warehouse Operations Under the Rate Levels Indicated

	Rates in Effect Prior to <u>Decision No. 48137</u>	Partial Increased Rates Granted in <u>Decision No. 48137</u>	Full Increased Rates Proposed <u>In Application</u>
Revenues	\$109,193	\$131,658	\$140,693
Operating Expenses	145,488		145,488
Net Operating Income	(36,295)	(13,830)	(4,795)
Operating Ratio	133.3%	110.7%	103.4%

() - Indicates loss.

In developing the foregoing results of operation, the staff engineer studied the various operations involved in the handling, storage and compression of cotton. From these studies, directly related bases were developed for the separation of the various expenses incurred in the joint use of facilities, equipment and personnel in conducting the public utility warehouse and the nonutility services. In calculating the depreciation expense, the staff witness employed service lives which might reasonably be anticipated for the various classes of properties involved in lieu of the shorter schedules observed in applicant's books as allowed by the Bureau of Internal Revenue for tax purposes. A detailed analysis of the revenues derived from the various public utility warehouse services also was presented. The results developed by the staff witness for Haslett do not differ materially from those presented at the original hearing by the consulting engineer retained by the applicants. As shown by the tabulation above, the staff witness calculated that the operating ratio under the proposed rates would be 103.4 per cent. This compares with

the operating ratio of 101.6 per cent developed by the consultant as set forth in Decision No. 48137, supra.

It is clear from the operating results calculated by the staff witness and those submitted by the consulting engineer that Haslett's public utility warehouse operations would be conducted at a loss even though the full rate increases proposed were in effect. The additional revenue sought is needed to reduce the operating loss and to enable Haslett to maintain adequate service to the public. Under the circumstances, the company will be authorized further to increase its rates for the handling and storage of cotton to the levels originally sought in the application filed in this proceeding.

As previously stated, the infirmities that existed in the financial showings of the other three applicants herein were found to be insufficient to cause excessive earnings under the proposed rates and such applicants were authorized to establish the increased rates sought. However, the staff engineer testified that he also had reviewed these showings and studied the physical operations and that if a detailed staff report were prepared the operating results developed therein would be substantially similar to those heretofore introduced by the consultant for the applicants in question.

All of the applicants herein were denied authority by the aforesaid Decision No. 48137 to establish increased rates for the service of "delivering" cotton. It was pointed out in the decision that the amount of service which is performed in "delivering" in relation to that involved in "handling" cotton for about the same rate did not justify the substantially greater advance sought in the rates for the service of "delivering."² At the further hearing, counsel for

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It developed at the further hearing that some confusion existed relative to the application of tariff provisions to the service of sampling cotton to determine its type. Applicants will be expected promptly to amend their tariffs so as to remove any doubt relative to the charges for the service in question.

applicants requested that the proposed upward adjustment in the rates be authorized but no additional evidence was presented by applicants which would justify altering of the Commission's previous conclusion relative to such rates.

Upon consideration of the evidence of record, including that received at the further hearing, the Commission is of the opinion and hereby finds that the establishment of the increased rates for the storage and handling of cotton originally sought by Haslett Warehouse Company in this proceeding and as provided for in the order which follows have been justified and that in all other respects no changes in the conclusions, findings and order in Decision No. 48137, supra, are justified.

Haslett Compress Company is advised that it will be expected promptly to develop appropriate bases for the separation of the revenues and expenses as between its public utility and nonutility operations and to report in its annual report to the Commission accurate results of operations for the utility services. Haslett will be required to inform the Commission of the action taken in the matter.

O R D E R

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

IT IS HEREBY ORDERED that Decision No. 48137 of January 6, 1953, in this proceeding, be and it is hereby amended to authorize Haslett Compress Company, a corporation, to establish, within sixty days after the effective date of this order and on not less than five days' notice to the Commission and to the public, increased rates of 43 cents per bale for the storage of cotton and \$1.00 per bale for the handling of cotton, as proposed in the application filed in this proceeding.

IT IS HEREBY FURTHER ORDERED that Haslett Compress Company shall report to the Commission within ninety days after the effective date of this order the steps which have been taken to assure the accurate preparation of its annual reports to the Commission.

In all other respects, Decision No. 48137 of January 6, 1953, in this proceeding, shall remain in full force and effect.

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

Dated at San Francisco, California, this 7th day of July, 1953.

R. J. [Signature]
President
Haslett [Signature]
[Signature]
Commissioners

JUSTUS F. CRAEMER
Commissioner S. KENNETH POTTER being necessarily absent, did not participate in the disposition of this proceeding.