

**ORIGINAL**Decision No. 49921

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
 SIGNAL TRUCKING SERVICE, LTD., a ) Application No. 34466  
 corporation, for an order authoriz- )  
 ing a change in tariff. )

Appearances

- E. M. Berol, for Signal Trucking Service, Ltd.,  
 applicant.
- I. W. Hamilton, for the Los Angeles Warehousemen's  
 Association, interested party.
- R. A. Lubich and C. S. Abernathy of the staff of  
 the Public Utilities Commission of the State  
 of California.

OPINION ON REHEARING

Signal Trucking Service, Ltd., a corporation, is engaged among other activities in the operation of public utility warehouses in the Los Angeles area. By this application it seeks authority to establish revised and generally increased rates for application at a certain warehouse in the Wilmington district of the city of Los Angeles. Following an initial hearing in June, 1953, the application was denied without prejudice.<sup>1</sup> Applicant petitioned for rehearing to offer additional evidence, and the petition was granted.

Rehearing was held before Examiner Bryant at Los Angeles on March 17, 1954. The matter was submitted and is ready for decision.

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<sup>1</sup> Decision No. 49046 dated September 1, 1953 (52 Cal. P.U.C. 739).

The warehouse herein involved is situated at 315 Marine Avenue, Wilmington. The rates applicable at this warehouse are different from and generally lower than those applicable at another warehouse which the applicant operates in the city of Vernon. The latter operation is governed by two warehouse tariffs which apply at most of the public warehouses in Los Angeles and the surrounding area but not at warehouses in Wilmington.<sup>2</sup> Applicant herein seeks authority to make its Wilmington warehouse subject to the principal one of these tariffs and to cancel concurrently its own tariff now applicable at said warehouse.<sup>3</sup>

At the original hearing applicant introduced evidence through its president, its traffic manager, its cost analyst, the secretary of the Los Angeles Warehousemen's Association and an officer of Bekins Van Lines, Inc. According to the testimony of these witnesses, identical rates at applicant's Vernon and Wilmington warehouses would be a convenience to the company and to its patrons. It was asserted that the present rate differences are discriminatory and that the existing rates maintained by applicant in Wilmington are subnormal and noncompensatory. Primarily, applicant relies in this proceeding upon its need for increased revenues from the Wilmington warehouse.

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<sup>2</sup> California Warehouse Tariff Bureau Warehouse Tariff No. 5-J, Cal. P.U.C. No. 94 (L. A. Bailey series), issued by Jack L. Dawson, agent; and California Warehouse Tariff Bureau Warehouse Tariff No. 7-C, Cal. P.U.C. No. 102 (L. A. Bailey series), issued by Jack L. Dawson, agent.

<sup>3</sup> Applicant originally proposed to make the Wilmington warehouse subject to both tariffs 5-J and 7-C. The evidence on rehearing shows that the entire experience of the company at Wilmington pertains to commodities that would normally be rated under tariff 7-C and not under tariff 5-J. Accordingly, applicant amended its request by deleting reference to tariff 5-J.

The evidence on rehearing was introduced through the testimony and exhibits of applicant's cost analyst and an engineer of the Commission's staff. The exhibits of both witnesses show that the revenues and expenses of the Wilmington warehouse for the nine-month period from May 1, 1953, to January 31, 1954, as recorded on the books of the company, were as follows:

Table 1

Actual Operating Results (9 Months)

Operating Revenues	\$55,970
Operating Expenses:	
Rent, Depreciation, Insurance, and Taxes . . . . .	\$23,491
Conducting Warehouse Operations . . . . .	31,569
Repairs . . . . .	2,069
Business Solicitation Expense . . . . .	505
General and Miscellaneous . . . . .	<u>8,038</u>
Total Operating Expenses	<u>\$65,672</u>
Net Operating Revenue	<u>(9,702)</u>

( ) - Loss

Applicant's witness submitted another exhibit showing the operating results which would have accrued had the sought rates been applied during the same period. The following table summarizes the figures from this exhibit.

Table 2

Applicant's Estimate of Operating Results  
Under Proposed Rates (9 Months)

Operating Revenues	\$65,242
Operating Expenses	<u>65,672</u>
Net Operating Revenue	\$ ( <u>430</u> )

( ) - Loss

The applicant did not offer any other forecast of future operating results. Its witness stated that the results for the nine-month period would be representative of the experience reasonably to be anticipated in the future. He supplied information showing that the occupancy of the warehouse had fluctuated considerably during the period, but said that on the average the past occupancy would be normal for a future year.

The Commission engineer submitted an adjusted and expanded estimate of operating results under present rates and under proposed rates for a 12-month period ending June 30, 1954.<sup>4</sup>

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<sup>4</sup> He explained that he did not make a forecast specifically for a future year because he did not know what goods would be stored or in what quantities and consequently lacked information upon which future revenue could be forecast for an annual period.

This estimate is summarized in the following table:

Table 3

Commission Engineer Estimate of Operating Results  
Under Present and Proposed Rates (Year Ending June 30, 1954)

	<u>Present Rates</u>	<u>Proposed Rates</u>
Operating Revenues	\$73,590	\$88,010
Operating Expenses	<u>83,990</u>	<u>83,990</u>
Net Before Income Taxes	\$( <u>10,400</u> )	\$ 4,020
Income Taxes	<u>25</u>	<u>1,270</u>
Net Income	\$( <u>10,425</u> )	\$ 2,750
Operating Ratio (after taxes)	114.2%	96.9%
Estimated Rate Base <sup>5</sup>	\$ 22,000	\$22,000
Rate of Return	-	12.5%

(    ) - Loss

No other witness testified. No one opposed the granting of this application.

Applicant moved into its present Wilmington warehouse on or about April 9, 1953. The evidence adduced at the original hearing covered an operating period of less than three months, and did not disclose to what extent the storage space was occupied during the test period. On the full record now before the Commission it appears that the operations at Wilmington have reached a sufficient degree of stability to permit the basing of rates for the future upon the experience of the past. The estimate submitted by the Commission engineer as set forth in the foregoing Table 3 appears to reflect accurately and reasonably the operating results for the year ending June 30, 1954. His estimate was not challenged by the applicant. In view of the testimony of applicant's

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<sup>5</sup> The warehouse building is leased to the applicant and is not included in the rate base.

cost analyst it is concluded further that this estimate constitutes a reasonable forecast of the results to be expected from the operation of the Wilmington warehouse for the future rate year.

Upon careful consideration of all of the evidence of record it is concluded that the rates proposed to be established by the applicant in this proceeding may reasonably be expected to permit the development of an annual net income of approximately \$2,750 after provision for income taxes, resulting in an operating ratio of 97 percent and a rate of return of 12.5 percent upon a rate base of \$22,000. The Commission hereby finds that these operating results and rate base are reasonable and that the rate increases herein proposed are justified.

ORDER ON REHEARING

Public hearing and rehearing having been held in the above-entitled application, and based upon the findings and conclusions set forth in the preceding opinion,

IT IS ORDERED that Signal Trucking Service, Ltd., be and it is hereby authorized, upon not less than ten days' notice to the Commission and to the public, to make its warehouse situated at 315 Marine Avenue in the Wilmington district of the city of Los Angeles subject to California Warehouse Tariff Bureau Tariff No. 7-C, Cal. P.U.C. No. 102 (L. A. Bailey series) issued by Jack L. Dawson, agent, and to cancel concurrently the tariff now applicable at said warehouse.

The authority herein granted shall expire unless exercised within sixty days after the effective date hereof.

The effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California, this 13th day of April, 1954.

R. F. [Signature]  
 President

Justice F. [Signature]

[Signature]

[Signature]

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 Commissioners

Commissioner Kenneth Potter, being necessarily absent, did not participate in the disposition of this proceeding.