

ORIGINALDecision No. 50627

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 Coast Counties Warehouses, et al.,) Application No. 35677
 for increases in warehouse rates.)

Vaughan, Paul & Lyons, by John G. Lyons,
 for applicants.
 Jack L. Dawson, for California Warehouse
 Tariff Bureau in support of applicants.
 Mary Moran Pajalich and Clyde Neary, for
 the Commission's staff.

O P I N I O N

By this application, as amended, 19 public utility warehousemen operating in Monterey, San Benito, San Luis Obispo, Santa Barbara, Santa Cruz and Ventura counties seek authority to increase their rates and charges.

A public hearing of the application was held at Paso Robles on September 23, 1954, before Examiner Henry Jacopi. Evidence in support of the proposals was introduced by applicants' tariff publishing agent and by a consulting engineer. Two public witnesses appeared in opposition to the sought rate increases. Counsel for the Commission's staff participated in the development of the record through examination of the various witnesses.

Applicants' public utility warehouse operations are devoted to the handling of agricultural products and supplies, including accessorial and special services. The existing rate structure for these operations was authorized by Decision No. 41568 of May 11, 1948 (48 Cal. P.U.C. 121). The principal commodities stored are beans and grain. The present rates for storage and handling of beans are \$2.25 per ton for 30 days or less, \$2.75 per

ton for more than 30 days but less than 60 days and \$3.25 per ton for more than 60 days in the same storage season.¹ The rates on grain for corresponding periods are \$2, \$2.50 and \$2.75 per ton. Other rates for storage and handling range from 50 cents to \$4 per ton and from 15 cents to 75 cents per bale, depending upon the commodity involved.

Applicants allege that the revenues derived from the present rates are inadequate by reason of steady advances in the cost of operation since the rates were adjusted. According to applicants' tariff agent, the wage rates for general warehouse labor increased from \$1.13 per hour in the year 1948 to the level of \$1.55 per hour in 1953, with related advances in other operating expenses. It is proposed to develop the additional revenue which applicants claim is needed by increasing the season rates on beans and grain by 50 cents per ton, by discontinuing the 30- and 60-day rates (leaving the season rates also applicable for shorter periods) and by raising the storage rates for the other commodities and for accessorial and special services by 15 per cent. No change is sought in the rates for "shipping through" services.²

Studies of the financial results of operation for 11 of the 19 applicants were presented at the hearing by a consulting engineer retained by the warehousemen. His exhibits were developed from the book records and included revenue and expense studies,

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The storage season on beans is from August 1 to July 31 and on grain and also for various other specified commodities it is June 1 to May 31.

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According to the tariff agent, the service of "shipping through" performed by the warehousemen involves the receipt from farmers or others and consolidation and forwarding of a quantity of bulk commodities sufficient to fill a carload.

earnings under the present rates and those anticipated under the proposed rates and rate bases and related data for the 11 warehouse operators individually and as a group. The studies covered the last fiscal year or the latest period for which figures were available for each applicant.³ The witness stated that the revenues and expenses in his studies were based upon the book records without any adjustments being made to give effect on an annual basis to cost increases that occurred during the period studied. As summarized from the consultant's exhibits, the aggregate annual results of operation for the 11 warehousemen as a group are summarized in the tabulation which follows.

	<u>Present Rates</u>	<u>Proposed Rates</u>
Revenues	\$301,421	\$368,086
Operating Expenses	355,712	355,712
Net Before Taxes	(<u>\$ 54,291</u>)	\$ 12,374
Income Taxes	-	7,958
Net After Taxes	(<u>\$ 54,291</u>)	\$ 6,308
Rate Base	\$925,537*	\$925,537*
Rate of Return	-	0.68%
Operating Ratio	118.0%	98.8 %

() - Indicates loss.

* Rate base figure covers 10 of the 11 warehousemen included in the showing. The one operator leases its facilities.

** After provision for income taxes.

The consultant's studies show that each of the warehousemen included in the foregoing operating results experienced operating

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The studies of operating results reflect the operations for the fiscal years ending May 31, 1953, July 31, 1953, November 30, 1953 and May 31, 1954, respectively, for four of the warehousemen and for the year ended December 31, 1953, for the other seven warehousemen.

losses under the present rate structure and that the annual losses ranged from \$15 to \$14,023. The operating ratios ranged from 100.01 per cent to 150 per cent. Under the proposed rates, the operations of three of the warehousemen would earn net revenues amounting to \$359, \$6,683 and \$12,440, respectively, after provision for income taxes. For the other eight operators, the revenues anticipated from the increased rates sought would be insufficient to cover the costs of operation. These operators would experience annual losses ranging from \$183 to \$4,764 with the operating ratios ranging from 101.3 per cent to 122.6 per cent.

According to the testimony of the consultant and the tariff agent, the 11 warehousemen studied handled about 80 per cent of the public storage in the area from Watsonville to Ventura generally covered by the operations of all applicants as a group. Assertedly, the eight applicants whose operations were not studied were omitted from the showing because some of them had commenced operations only recently while the book records of others did not contain sufficient detail for the purpose of the studies. It was explained that the applicants were engaged in utility and nonutility operations and that appropriate segregations of the expenses required detailed information relative thereto. According to the witnesses, the eight warehousemen in question conducted small utility operations which, if the records were available, would not bring about any material change in the financial showing for the group of applicants.

Evidence relative to the proposed rate adjustments was introduced by the tariff agent. He pointed out that the increase of 50 cents per ton sought on beans and grain was equal to about 15 per cent. A like increase on the other tariff rates was proposed

on a percentage basis, he said, because it was more practical to apply to the variety of rates involved named in different units of measurement.

In regard to the proposed discontinuance of the 30-day and 60-day storage rates, the tariff agent asserted that after studied consideration of the matter in the light of the revenue needs and existing conditions the warehouse operators concluded that the season rates were appropriate for storage service for shorter periods. According to his testimony, less than 19 per cent of the total tonnage was stored under the 30-day and 60-day rates. Assertedly, rural warehouses generally are constructed to provide facilities in their immediate territory. During the short harvest season the warehouses are filled to capacity or to the limit of the local crop. Since the crops are harvested once per year, tonnage seldom is available to replace commodities removed from storage within a period of 60 days after harvest. According to the witness, the warehousemen's cost of operation under seasonal conditions is not reduced by the early withdrawal of goods from storage. He stated that an average increase of 68.6 cents per ton would be necessary in all rates in order to retain the 30-day and 60-day rates and develop the same amount of additional revenue as sought herein. The witness asserted that such an increase was greater than could be borne by the commodities which are stored for more than 60 days and which account for about 81 per cent of the total tonnage stored.

With respect to the rates for "shipping through" operations, the tariff agent said that applicants were not seeking to increase such rates because they were considered to be compensatory and because rates higher than those now in effect would influence the handling of a substantial amount of tonnage direct from the farms to

rail cars or by motor truck to final destination instead of moving the tonnage through the warehouses.

Applicants requested that the Commission render a decision in this matter at an early date and that they be authorized to establish the sought rates on less than statutory notice. The tariff agent pointed out that the bean harvest was in progress and that early establishment of the new rates was necessary for applicants to derive some benefits from the adjustment during the current season.

Two public witnesses testified in opposition to the proposed rate increases. One of them, an official of the Ventura County Grange, asserted that the growers would be unable to bear the higher warehouse rates because of a drop in the returns for farm products. He stated that current proposals to revise or modify federal price supports on agricultural products, if adopted, would have a further adverse effect upon the growers. Another witness, a patron of warehouse facilities near Lompoc, objected to applicants' proposal to make the season storage rates applicable for lesser periods. No one else appeared in opposition to the granting of the application. The record shows that applicants distributed more than 1,700 notices of the sought increases to their patrons and that the Commission's secretary sent notices of the hearing to a list of organizations and persons believed to be interested.

The California Farm Bureau Federation informed the Commission that applicants' exhibits showing the financial results of operation had been reviewed and that some increase in the warehouse rates appeared to be necessary.

It is clear from the evidence of record that the applicants are experiencing losses in conducting their public utility warehouse operations under the present rates, that relief is needed, and that

the proposed rates are not excessive. In most instances, the proposed rates would do no more than to assist in reducing the operating losses being experienced. The form of the rate increase appears to result in reasonable spreading of the burden of applicants' revenue needs. ✓

Upon careful consideration of all of the facts and circumstances of record, the Commission is of the opinion and finds that the rate increases proposed by applicants in this proceeding are justified. The application, as amended, will be granted. In view of the evident need for increased revenue and of the commencement of harvest operations, authority will be granted to establish the increased rates on two days' notice to the Commission and to the public. ✓

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 applicants be and they are hereby authorized to establish, on not less than two days' notice to the Commission and to the public, the increased rates and charges and the tariff changes proposed in the above-entitled application, as amended; and that in applying the authorized percentage increase to rates amounting to more than 10 cents, fractions of less than one-half cent shall be dropped and fractions of one-half cent or more shall be advanced to the next whole cent. ✓

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 days after the effective date of this order.

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

Dated at San Francisco, California, this 6th day of OCTOBER, 1954.

[Signature]
President
[Signature]
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Commissioners.

Commissioner Verno Scoggins, being necessarily absent, did not participate in the disposition of this proceeding.