

Decision No. 52018

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of A. L. WAY and J. F. RETHERFORD,)
doing business as MODERN COLD)
STORAGE CO., to increase rates.)

ORIGINAL

Application No. 37255

OPINION AND ORDER

Applicants, A. L. Way and J. F. Retherford, doing business as Modern Cold Storage Co., operate cold storage warehouse facilities in Exeter, Tulare County, as food warehousemen within the meaning of Section 2508 of the Public Utilities Code. By this application, as amended, they seek authority to increase their rates for storing and handling fall grapes on less than statutory 30-day notice. Their present and proposed rates for the storage and handling of fall grapes are as follows:

	In Cents per Lug Box Weighing Not Over 32 Pounds Gross	
	<u>Present</u>	<u>Proposed</u>
For storage in any season beginning September 15, and ending December 31 of that season.	17	20
Each additional month	6	6
Gassing (ingoing, outgoing and room gassing)	②	②
Car Loading	2	3

Applicants also warehouse fresh fruits, other than fall grapes, and potatoes. The principal part of their revenue is derived from warehousing fall grapes. It is alleged that to avoid substantial operating losses for the July 1, 1955 to June 30, 1956 fiscal year, it is imperative that authority be obtained to make the proposed increase. They state that because the storage season for fall grapes is now commencing their present rate request is limited to that commodity. Applicants also state that a further study of their operation with respect to the other commodities stored is to be made with a view to seeking such further increases as may be necessary. Because these other commodities are not now moving into

storage, they represent that an increase in such rates at this time would not provide additional revenue until the commodities commence moving into storage. Applicants' present rates were established in 1946 at the time they commenced operations. Assertedly these rates do not provide sufficient revenue to meet operating expenses and allow a reasonable profit on applicants' investment.

In an exhibit attached to the application an operating statement for the fiscal year ending June 30, 1955, shows income to be \$55,627.05, expenses \$50,012.54, and profit \$5,614.51 without provision for income tax. Expenses did not include provision for the partners' salaries. Applicants emphasize that if reasonable salaries had been allowed for themselves, the operation would have been conducted at a loss.¹

In addition to showing the results of operations under the present rates, applicants have made a projection showing the anticipated revenue for the ensuing fiscal year. The projection is based upon the sought rates, without change in the volume of storage. The additional revenue expected is \$3,562.17 from storage and \$1,187.39 from handling charges. It is stated that expenses will be considerably higher in the future because of increased power costs and an anticipated increase in property taxes. However, no projection of expenses is provided. By assuming that expenses and the volume of storage will remain the same, applicants' profit for the ensuing fiscal year under the proposed increase in rates would amount to \$10,364.07 without provision for applicants' salaries or Federal Income Tax.

¹ Also provided was a schedule showing the original investment in land, building and equipment together with a depreciation schedule. From these schedules applicants represent their average invested book capital for the fiscal year ending June 30, 1955, as \$80,358.50. This investment does not include any value for one of the partner's services as contractor and carpenter in construction of the building.

In further justification of the proposed rate increase, applicants compare their rates with those of a competitive public utility cold storage warehouse also located in Exeter as follows:

	In Cents Per Lug Box Weighing Not Over 32 Pounds Gross		
	(1) Applicants' Present Rate	Applicants' (1) Proposed Rate	(2) Competitor's Rate
Seasonal Rate for Fall Grapes	17	20	24
Gassing (ingoing, out- going and room gassing)	2	2	(Included in 24¢ charge)
Car Loading	<u>2</u>	<u>3</u>	<u>1½</u>
Total	21	25	25½
Each Additional Month	6	6	7

(1) For season commencing September 15 and ending December 31.

(2) For first three months or portion thereof.

Applicants on August 29, 1955, notified each storer of last year's fall grapes of the proposal and requested that any objections be forwarded to the Commission. No objections have been received. The California Warehouse Tariff Bureau by letter stated its members "have no objection whatsoever to the proposal, which, on a comparable basis with other cold storage warehousemen in northern California, seems to be reasonable and proper for the service involved."

It is clear from the facts and circumstances presented in this proceeding that the applicants are not receiving under the present rates sufficient revenue to meet operating expenses, to provide reasonable salaries for their services, and to provide a reasonable return on their investment. It is also clear that the margin under the proposed rates after provision is made for the partners' salaries would not be greater than necessary or reasonable. Furthermore, the rates proposed appear reasonable when judged solely by comparison with those of applicants' competitor for similar service.

Upon careful consideration of all the facts and circumstances the Commission is of the opinion and finds that the rates proposed to be established in this proceeding are just and reasonable. The application, as amended, will be granted. A public hearing is not necessary.

In view of the evident need for increased revenue and of the commencement of the grape storage season, authority will be granted to establish the increased rates on two days' notice to the Commission and to the public.

Therefore, good cause appearing,

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 as proposed in the above-entitled application, as amended.

IT IS HEREBY FURTHER ORDERED that 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 17th day of October, 1955.

E. N. Atchell
President
Justus J. Coe
Raul L. Interimier
Wm. D. Doherty
R. Hardy
Commissioners