

**ORIGINAL**

Decision No. 57000

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
 BEALL REFRIGERATING CO., BERGUT-RICHARDS  
 COLD STORAGE CO., CONE ICE AND COLD  
 STORAGE COMPANY (Oliver W. Chatfield and  
 Frances E. Chatfield, dba), CRYSTAL ICE  
 AND COLD STORAGE WAREHOUSE, DOUGLASS  
 WAREHOUSE CO., DRIESBACH COLD STORAGE CO.,  
 HASLETT WAREHOUSE COMPANY, MERCHANTS ICE  
 AND COLD STORAGE CO., MERCHANTS REFRIG-  
 ERATING COMPANY OF CALIFORNIA, MODERN ICE  
 & COLD STORAGE CO., NATIONAL ICE AND COLD  
 STORAGE COMPANY OF CALIFORNIA, RELIANCE  
 COLD STORAGE WAREHOUSE CO., INC., SANTA  
 CLARA COLD STORAGE & FREEZER CO., SECURITY  
 WAREHOUSE AND COLD STORAGE COMPANY, SOUTH  
 SAN FRANCISCO COLD STORAGE AND WAREHOUSE  
 CO., SUZY BEL COLD STORAGE CO., TAYLOR  
 FREEZER & COLD STORAGE (Russell B. Taylor,  
 dba), TRACY ICE & DEVELOPMENT COMPANY,  
 TURLOCK REFRIGERATING COMPANY, and UNION  
 ICE & STORAGE COMPANY, for an increase in  
 rates.

Application No. 40117

Vaughan, Paul & Lyons, by John G. Lyons; and  
Jack L. Dawson; for applicants.  
 J. J. Deuel and Bert Buzzini, by J. J. Deuel,  
 for California Farm Bureau Federation;  
Jack P. Sanders, for Cannery League of  
 California; Alvin B. Christiansen, for  
 Pacific States Cold Storage Warehousemen's  
 Association; Grover H. Bruns, for H. J. Heinz  
 Company; and G. David Edwards, for Gerber  
 Products Company; interested parties.  
Otto B. Liersch, for the Commission's staff.

OPINION AND ORDER

Applicants are engaged in public utility cold storage ware-  
 house operations at various locations in northern California. By  
 this application, as amended, they seek authority to increase the  
 precooling rate for "cannery stock" from 20 cents per 100 pounds to  
 25 cents and the first-month storage rates for such commodities from  
 30, 32½ and 35 cents per 100 pounds to 35, 37½ and 40 cents,  
 respectively.<sup>1</sup> No change is proposed in the present rate of 20 cents

<sup>1</sup> Cannery stock is described as fresh fruits and vegetables which are  
 harvested and held in storage until needed by the cannery. The  
 differing levels of the present rates reflect differences in the  
 minimum quantity to be stored or in the identity of the particular  
 utility.

for second, or succeeding month's storage. Authority is also sought to establish in California Warehouse Tariff Bureau Cold Storage Warehouse Tariff No. 9-E, Cal. P.U.C. No. 149, of Jack L. Dawson, Agent (Santa Clara County), a specific storage rate for cannery stock of 35 cents for the first month and 20 cents per month thereafter.<sup>2</sup> They propose to establish the increased charges to become effective on or before July 15, 1958, stated to be the start of the cannery season.

Public hearing was held before Examiner Carter R. Bishop at San Francisco on June 12 and 20, 1958. Evidence was introduced on behalf of applicants by the agent of the California Warehouse Tariff Bureau and by thirteen witnesses who are officers of various applicant utilities.<sup>3</sup>

The Bureau agent testified that the cannery fruit season is short in duration, lasting from eight to ten weeks after the middle of July; that in order to accommodate this storage, the warehousemen, prior to the cannery season, must shift merchandise to make available space for this rush of business; and that some warehousemen find it necessary to convert freezer holding rooms to cooler rooms, while others find it necessary to turn down freezer business in order to accommodate the cannery stock. Assertedly, there is a large expense involved in making this warehouse space available for the storage involved. The Bureau agent stated that when the cannery fruit season is over the warehousemen find themselves with empty space which they

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<sup>2</sup>

The sought rate for the first month is on the same level as the proposed increase involved herein. The 20-cent rate is the same as that contained in other California Warehouse Tariff Bureau tariffs. This tariff now provides general fresh fruit and vegetable rates which range from 30 to 35 cents per 100 pounds for the first month and from 20 to 25 cents per 100 pounds per month thereafter.

<sup>3</sup>

One of the witnesses was an independent certified public accountant employed by one of the applicants to perform certain accounting functions for it.

are unable to fill due to the fact that the peak of the harvest season is over.

According to the record, several of the applicants have found it necessary, during recent years, to curtail their cannery stock space, because the rates for this storage are not compensatory and more profitable long-term freezer storage is available. The Bureau agent testified that one of the principal purposes in seeking an increase in the cannery stock storage rates is to make it profitable enough to maintain the availability of cooler space for these commodities. During the past 16 years, he said, the first-month cannery stock rates have been increased only 50 cents a ton and no adjustment in the precooling rate had been made since its establishment in 1945. This witness asserted, moreover, that since 1953 applicants have experienced increases amounting to approximately 25 percent in power rates, 20 percent in property taxes, 25 percent in costs of replacement parts and repairs, and comparable increases in labor and other costs of operations.

The record discloses that since 1942 a great change has taken place in the cold storage warehouse industry. This change is described as embracing two main factors, (1) a greatly increased cost of building and operating a cold storage warehouse, and (2) a change in the character of the commodities stored. Prior to World War II commodities requiring cooler service made up the major portion of the cold storage warehouse business. However, following World War II the frozen food industry expanded to the point where cooler storage has become a minor part of the cold storage operations. The Bureau agent asserted that a great portion of the increased costs of operations has been overcome through increased occupancy and the storage of frozen food commodities. He said, however, that this condition is not true of cooler storage such as cannery stock, which

is available to the warehousemen only during a relatively short period in the summer and fall.

The foregoing testimony was generally substantiated by that of the warehouse operating witnesses. Several of the latter testified that the storage season for cannery stock at their warehouses begins about July 20, and in one instance as late as August 1. The season may last into October.

Applicants submitted profit and loss statements for their respective over-all warehouse utility operations.<sup>4</sup> Where nonutility operations were involved, the utility revenues and expenses were segregated from the nonutility figures. In many instances it was necessary to make arbitrary allocations. Additionally, applicants submitted estimates of over-all utility operating results, taking into account the additional revenue anticipated under the sought increased cannery stock rates here in issue. These latter estimates are predicated on the volume of business handled and the expenses incurred by applicants during the calendar year 1957.<sup>5</sup> A summarization of the operating results under present and proposed rates, for each of the applicants, is set forth in Appendix "A" hereof.

As previously stated, the storage of cannery stock is but a small part of the over-all operations of the majority of applicants. For this reason separate revenue and expense figures are not maintained for the storage of these commodities. Applicants claim that the effect of the proposed rate increases on these over-all 1957 operations would be to lower their composite operating ratio less than one percent and increase their composite rate of return by

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Most of the statements were for the 12-month period ending December 31, 1957; some were for more recent 12-month periods.

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The estimates of operating results do not give full effect, on an annual basis, to certain increases in wage and power rates which took effect about the middle of 1957.

approximately six-tenths of a percentage point. The estimated operating ratio and rate of return, after provision for income taxes, would be 94 percent and 3.6 percent, respectively.

Three of the applicants had made detailed studies to determine the cost of precooling and storing cannery stock in their respective facilities. Two of these utilities, Security Warehouse & Cold Storage Co., and Modern Ice & Cold Storage Company, store 40 percent of the tonnage involved in this application. The study made by the third utility, National Ice and Cold Storage Company, relates to its cold storage plant at Petaluma.<sup>6</sup> Eighty-five percent of the tonnage handled at this plant, the record shows, consists of cannery stock.

Witnesses for these three applicants introduced exhibits setting forth the results of the above-mentioned studies, including the bases on which allocations, where necessary, were made as between the expenses entailed in the precooling and first-month storage of cannery stock, on the one hand, and the expenses incurred in the remainder of the utilities' operations, on the other hand.<sup>7</sup> The estimated operating results thus developed for the calendar year 1957 are set forth in Table I.

TABLE I

Estimated Revenues and Expenses for First-Month  
Storage and Precooling of Cannery Fruit  
(Calendar Year 1957)

<u>Utility</u>	<u>Revenues</u>	<u>Expenses</u>	<u>Net * Revenues</u>
Modern	\$194,075.02	\$194,022.15	\$ 52.87
National	27,673.26	44,096.42	(16,423.16)
Security	167,304.73	162,254.56	5,050.17

\* Before provision for income taxes.

○ Indicates loss.

<sup>6</sup> According to the record, National Ice and Cold Storage Company has eleven cold storage plants, five of which handle cannery stock.

<sup>7</sup> The expense figures for Modern and Security were not segregated as between precooling costs, on the one hand, and those for first-month storage on the other. The data for National related only to first-month storage costs.

The record also includes the following comparison of operating ratios for Modern and Security:

TABLE II  
Operating Ratios After Provision  
for Income Taxes  
(Percents)

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Name of Warehouse	Operating Ratio for Cannery Stock Business 1957	Operating Ratio Had Proposed Rates Been in Effect During 1957	Over-all Operating Ratio 1957	Over-all Operating Ratio Had Proposed Rates Been in Effect During 1957
Modern	100	93	94.3	91.8
Security	97	92	94.6	93.7

Four applicants handled no cannery stock during the 1957 season.<sup>8</sup> The Bureau agent stated that increases are sought for all warehousemen who are parties to the rates here in issue, including those who have not recently handled cannery stock, in order to avoid complexities in the tariff provisions involved. Uniformity of application, he pointed out, is highly desirable in the interests of tariff simplicity and of correctness of charges.

Representatives of the California Farm Bureau Federation, of the Cannery League of California and of the Commission's transportation engineering staff assisted in the development of the record. While no one appeared as a protestant in the proceeding, the representative of the Cannery League in argument at the close of the hearing opposed the granting of the application in certain respects. He argued that (1) no consideration should be given to those applicants which handled no cannery stock in 1957; (2) the allocations of expenses to cannery stock operations, as made in the individual

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These applicants are Cone Ice & Cold Storage Company, Merchants Ice & Cold Storage Company, South San Francisco Cold Storage and Warehouse Co., and Russell B. Taylor, doing business as Taylor Freezer & Cold Storage.

studies of Modern and Security, are excessive and inconsistent; (3) the proposed rates would yield additional net revenues which, for certain of the operators, would be excessive - the present rates yield adequate revenues for efficient operators; (4) warehouse operating costs in recent years have been greatly reduced by the use of pallets; and (5) separate cost studies should be required for each applicant.

No evidence was offered by any parties other than applicants.

#### Conclusions

The record indicates that, regardless of the over-all financial positions of the various applicants, the presently effective rates do not compensate the warehousemen for the costs incurred in rendering the services of precooling and of first-month storage of cannery fruit. The record shows that no adjustment has been made in the precooling rate since its establishment in 1945 and that in the last 16 years the first-month storage rate has been increased only 2½ cents per 100 pounds. During the same period substantial increases in operating costs have been experienced by applicants. By contrast, other storage and handling rates have been increased from time to time to compensate for increased operating costs.

While a few of the applicants handled no cannery stock during the 1957 season these utilities hold themselves out to perform the services in question and it appears that said applicants have experienced increases in operating costs commensurate with those of the rest of the applicants.

Upon consideration of all of the facts and circumstances, the Commission is of the opinion and finds that the proposed increased rates are justified. The application will be granted. In view of the imminence of the start of the cannery season, applicants will be authorized to publish the increased rates on two days' notice,

and the effective date of the authorization will be ten days after the date hereof.

Therefore, good cause appearing,

IT IS ORDERED:

(1) That applicants are hereby authorized to establish, on not less than two days' notice to the Commission and to the public, the increased rates and tariff changes proposed in the application, as amended, filed in this proceeding.

(2) That the authority herein granted shall expire unless exercised within sixty days after the effective date of this order.

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

Dated at San Francisco, California, this 15<sup>th</sup> day of July, 1958.

C. Lynn Fox  
President  
Robert E. Hutchins  
Robert L. ...

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Commissioners

Matthew J. Dooley  
Commissioner Theodore H. Jenner, being necessarily absent, did not participate in the disposition of this proceeding.



STATEMENT SHOWING OPERATING REVENUES AND EXPENSES FOR 1957  
AND  
OPERATING RATIOS AND RATES OF RETURN UNDER PRESENT AND PROPOSED RATES

Company	Revenues 1957 (A)	Expenses 1957 (A)	#Profit or Loss 1957	Oper. Ratio 1957 %	Rate of Retn. 1957 %	Rate Base See Note 1	*Addtl. Revenue Under Prop. Rates	#Oper. Ratio Under Prop. Rates %	#Rate of Return Under Prop. Rates %
Beall Refrig. Co.	\$ 133,852	\$ 128,744	\$ 5,108	96.2	1.24	\$ 412,944	\$ 6,633	93.2	2.3
Bercut-Richards Cold Storage Co.	215,032	175,850	36,182	83.2	6.1	617,304	12,226	81.5	6.8
Cone Ice and Cold Storage Co.	13,847	11,412	2,435	83.0	5.5	4,432	N11	83.0	5.5
Crystal Ice and Cold Storage Warehouse	250,339	262,886	(12,547)	105.0	-	537,943	2,323	104.0	-
Douglass Warehouse Co. (Note 5)	85,075	147,038	(61,963)	173.0	-	13,387	2,278	170.0	-
Dreisbach Cold Storage Co.	197,138	189,329	7,809	96.0	4.2	185,321	2,121	95.4	5.0
Haslett Whse Co.	690,020	736,331	(46,309)	106.0	-	-	(Note 3)		
Merchants Ice and Cold Storage Co.	628,543	665,720	(37,177)	106.0	-	1,936,710	N11	106.0	
Merchants Refrig. Co. of California	1,277,317	1,067,175	210,142	83.6	8.0	2,654,843	15,186	83.2	8.2
Modern Ice & Cold Storage Co.	531,886	501,568	30,318	94.3	4.6	644,155	34,966	91.8	7.2
National Ice and Cold Storage Co. of California	1,370,673	*1,330,984	*39,689	*97.1	*1.7	2,404,077	12,716	*96.2	*2.2
Santa Clara Cold Stor. & Freezer Co.	295,729	276,680	19,049	93.0	1.9	664,009	7,761	92.5	3.6

(For explanation of Reference Marks and Notes see Pages 2 and 3)

Company	Revenues 1957 (A)	Expenses 1957 (A)	#Profit or Loss 1957	Oper. Ratio 1957 %	Rate of Retn. 1957 %	Rate Base See Note 1	*Addtl. Revenue Under Prop. Rates	#Oper. Ratio Under Prop. Rates %	#Rate of Return Under Prop. Rates %
Security Warehouse and Cold Storage Co.	\$1,320,409	\$1,248,717	\$ 71,692	94.6	3.9	\$1,839,390	\$30,255	93.7	4.7
South San Francisco Cold Storage & Warehouse Co.	192,281	175,833	16,448	91.4	6.4	112,196	Nil	91.4	6.4
Suzy Bel Cold Storage Co.	(Note 2)	(Note 2)							
Taylor Freezer & Cold Storage	1,434	2,179	( 745)	152.0	-	-	Nil		
Tracy Ice & Development Co.	44,341	43,492	849	98.0	0.6	145,562	3,807	93.0	2.4
Turlock Refrig. Co.	479,361	360,648	118,713	75.2	15.0	784,556	6,576	75.0	15.5
Union Ice & Storage Co.	906,051	864,652	41,399	95.3	2.5	1,642,778	25,375	94.3	3.2
Reliance Cold Storage Whse Co.	(Note 4)	(Note 4)							

(A) Or other 12-month fiscal period.

# After provisions for State franchise taxes and federal income taxes.

\* Before provisions for State franchise taxes and federal income taxes.

( ) Indicates loss.

(For explanation of Notes see Page 3)

- NOTE 1. Rate base determined by adding to depreciated investment 1/6th of annual operating expenses before depreciation.
- NOTE 2. Suzy Bel Cold Storage Co. reported income of \$57,882 and expenses before income taxes of \$28,322. The expense figure does not include supervision and overhead which are borne by a related company (Stanislaus Food Products Company). This latter company also furnishes warehouse labor to Suzy Bel Cold Storage Co. on an actual time-worked basis. In view of the fact that full operating expenses which would accrue under a normal method of operations are not included in the expense figures reported for Suzy Bel Cold Storage Co., these figures have not been included in the above summary.
- NOTE 3. No cannery fruit is expected to be handled this year in Haslett Warehouse Company's cold storage warehouse in San Francisco. This facility (Pier 46) leased from San Francisco Port Authority is being taken back by the State and will be dismantled as a refrigerated warehouse.
- NOTE 4. Reliance Cold Storage Warehouse Company reported income of \$31,424 and expenses before income taxes of \$19,322 for the fiscal year ended July 31, 1957. The expense figure includes \$4,200 for officer's salary. Only one officer of the company was compensated during the year. He managed all labor shifts at the plant during the cannery storage season. His compensation was limited to living expenses only. Operating under normal conditions this utility would show a substantial increase in operating expenses for labor and payroll costs. In view of these facts, the figures for Reliance have not been included in the above summary.
- NOTE 5. Douglass Warehouse Company is a new company which began operations in May, 1957. The above operating expenses include \$37,280 of nonrecurring expenses which accrued in the process of getting started.

(End of APPENDIX "A")