

Decision No. 59255**ORIGINAL**

## BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
BEKINS WAREHOUSING CORP., CITY TRANSFER,  
INC., SIGNAL TRUCKING SERVICE, LTD., and  
WEST COAST WAREHOUSE CORPORATION for  
authority to increase their rates as  
warehousemen at Long Beach and Wilmington,  
California.

Application No. 41214

Glanz & Russell, by Theodore W. Russell, for  
applicants.  
Jackson W. Kendall and Richard L. Smith, for  
Bekins Warehousing Corp.; Martin H. Richards  
and Jay Frederick, for Signal Trucking Service,  
Ltd.; applicants.  
James Quintrall, A. D. Poe and J. C. Kaspar, for  
California Trucking Associations, Inc.,  
interested party.  
R. A. Lubich, C. V. Shawler and T. L. Deal, for  
the Commission staff.

O P I N I O N

Bekins Warehousing Corp., City Transfer, Inc., Signal  
Trucking Service, Ltd., and West Coast Warehouse Corporation are  
public utility warehousemen.<sup>1/</sup> By this application, as amended, they  
seek authority to increase certain of their warehouse rates and  
charges applicable at warehouses located in Wilmington and Long  
Beach.<sup>2/</sup>

1/ Applicants will hereinafter be referred to as Bekins, City,  
Signal and West Coast, respectively.

2/ The application involves warehouses of Bekins at Wilmington, of  
City and West Coast at Long Beach, and of Signal at Wilmington  
and Long Beach. The rates and charges here in issue are pub-  
lished in California Warehouse Tariff Bureau Tariff No. 13-A  
issued by Jack L. Dawson, Agent, and in Signal Trucking Service,  
Ltd., Warehouse Tariff No. 3.

Public hearing of the application was held before Examiner Carter R. Bishop at Los Angeles on August 18 and September 1, 1959. With the filing of an amendment to the application on September 24, 1959, the matter was taken under submission.

Applicants propose to increase all of their rates for handling in and out and certain of their charges for accessorial services by 25 percent. No increases are sought in applicants' rates for storage and in some of their accessorial charges.<sup>3/</sup>

According to the record, the rates and charges here in issue have been adjusted only once since 1948, namely, by Decision No. 55198<sup>4/</sup> of July 2, 1957, which authorized a 15 percent increase in the 1948 scale of rates. That rate increase, the application alleges, was predicated solely on increased labor costs which became effective in 1955 and 1956. Since 1956, further labor expense increases have been experienced, and, assertedly, there has been a steady and substantial increase, since 1948, in operating costs other than those relating to labor.

As a result of the above-mentioned increased operating costs, the application alleges, the rates and charges here in issue are insufficient to meet operating expenses and to provide a reasonable profit. Moreover, applicants believe that this revenue deficiency is attributable almost entirely to the rates and charges for handling and for incidental services.

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<sup>3/</sup> The tariff items containing the accessorial charges sought to be increased are listed in the amendment to the application. Those charges as to which no change is proposed, the record indicates, reflect a negligible portion of applicants' revenues.

<sup>4/</sup> In Applications Nos. 38646 and 38715.

The results of a study of applicants' operating results for the year 1958, attributable to warehouse services rendered at the warehouses here in issue, were introduced at the hearing by a certified public accountant. These results are summarized in Table I below. The revenues and expenses shown include those for storage as well as those relating to handling and other accessorial services.

Table I  
Results of Operation for Calendar Year 1958

	<u>Bekins</u>	<u>City</u>	<u>Signal</u>	<u>West Coast</u>
Revenues	\$48,712	\$27,346	\$73,745	\$200,688
Expenses	<u>58,153</u>	<u>27,546</u>	<u>86,065</u>	<u>208,294</u>
Net Operating Revenue	<u>(\$ 9,441)</u>	<u>(\$ 200)</u>	<u>(\$12,320)</u>	<u>(\$ 7,606)</u>
Operating Ratio	119.4%	100.7%	116.7%	103.8%

( ) Indicates red figure.

Each of the applicant warehousemen engages in business activities additional to those embraced by the tariffs encompassed by this proceeding. Signal and West Coast render so-called "cold room" warehouse services for property stored under bond. The charges for these services are set forth in a separate tariff not involved herein. Some of the applicants engage in public utility storage at locations other than Wilmington and Long Beach. While Bekins Warehousing Corporation operates only as a public utility warehouseman, its services are rendered exclusively by employees, and in the premises of, Bekins Van and Storage Company, its affiliate. The latter concern is engaged in the transportation and storage of used household goods. Additionally, City, Signal and West Coast engage in highway carrier operations.

In view of the economic activities mentioned in the preceding paragraph it was necessary, in the development of the accountant's study, for the revenues and expenses attributable to the warehouse operations here in issue to be segregated from those derived from applicants' other services. While the storage and handling revenues were separately recorded in applicants' book records, it was necessary in many instances to make arbitrary allocations of expenses. These allocations were made to public utility dry storage at the Long Beach and Wilmington warehouses, on the one hand, and, on the other, to cold room storage at those warehouses, to utility storage at other locations, to household goods operations, and to highway carrier services.

A number of different bases for allocating expenses were employed in applicants' studies. These included, among others, allocations on the basis of actual revenues, of so-called "constructive" revenues, of space use, of time, of payroll expense, and of special cost studies. The reasons for using different bases of allocation in the distribution of the various categories of expense were explained by the accountant or by other witnesses for applicants.

Applicants' revenue and expense studies also included projected operating results under a continuation of present rates, and under the proposed increased rates. The projected expenses were developed by adjusting the expenses for the year 1958, as summarized in Table I, to give effect, for the entire 12-month period, to the wage and payroll expense increases which had taken place since January 1, 1958. In developing estimated operating results under the proposed increased rates, applicants adjusted the actual revenue figures for the year 1958, as summarized in Table I, to give effect, on a 12-month basis, to the additional revenue which would have been

earned had the sought increases been in effect during the period in question.

In Table II, below, are summarized the estimated operating results under both present and proposed rates, as set forth in the accountant's exhibits. As in Table I, the revenues and expenses shown are for storage as well as for handling and accessorial services.

Table II

Estimated Results of Operation,  
Under Present and Proposed Rates,  
for the Projected Rate Year

	<u>Bekins</u>		<u>City</u>	
	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Present Rates</u>	<u>Proposed Rates</u>
Revenues	\$ 48,712	\$ 53,577	\$ 27,346	\$ 28,896
Expenses	<u>59,818</u>	<u>59,818</u>	<u>27,982</u>	<u>27,982</u>
Net Before Income Taxes	\$ (11,106)	\$ (6,241)	\$ (636)	\$ 914
Income Taxes	--	--	--	\$ 300
Net After Taxes	\$ (11,106)	\$ (6,241)	\$ (636)	\$ 614
Operating Ratio After Taxes	122.8%	111.6%	102.3%	97.9%

	<u>Signal</u>		<u>West Coast</u>	
	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Present Rates</u>	<u>Proposed Rates</u>
Revenues	\$ 73,745	\$ 79,672	\$200,688	\$218,501
Expenses	<u>88,725</u>	<u>88,725</u>	<u>212,589</u>	<u>212,589</u>
Net Before Income Taxes	\$ (14,980)	\$ (9,053)	\$ (11,901)	\$ 5,912
Income Taxes	--	--	--	\$ 1,939
Net After Taxes	\$ (14,980)	\$ (9,053)	\$ (11,901)	\$ 3,973
Operating Ratio After Taxes	120.3%	111.4%	105.9%	98.2%

( ) Indicates red figure.

The record discloses that none of the applicants own the facilities in which their public utility warehouse operations are conducted. Signal and West Coast lease their facilities from outside interests. City leases its warehouse from an affiliate. The operations of Bekins Warehousing Corp. are carried on in the warehouses of its affiliate, Bekins Van and Storage Company. In this latter instance no intercompany rent is paid. For rate base purposes the accountant witness was able to secure from the real owners the depreciated book values of the buildings and land utilized by applicants. In developing his rate base estimates he added to the real property figures the depreciated investment of applicants in warehouse equipment, plus an allowance for working capital, estimated at one month's operating expenses.

To arrive at estimated rates of return both on the 1958 operations and under the proposed fares, the accountant adjusted the operating expenses of City, Signal and West Coast, as summarized in Tables I and II, by substituting landlord expenses for the rentals paid by the utilities. In the case of Bekins no substitution was necessary. In Table III below, the results of the accountant's rate base and rate of return calculations are set forth.

Table III

Estimated Rate Bases, Net Revenues  
and Rates of Return

<u>Warehouseman</u>		<u>Rate Base</u>	<u>#Net Revenue</u>	<u>#Rate of Return (Percent)</u>
Bekins	A	\$ 202,106	\$ (9,441)	-
"	B	202,106	(6,241)	-
City	A	70,546	3,972	5.6
"	B	70,546	5,086	7.2
Signal	A	247,639	288	0.1
"	B	247,639	3,555	1.4
West Coast	A	1,338,970	40,342	3.0
"	B	1,338,970	53,860	4.0

A. Actual for year 1958.

B. Projected rate year under proposed rates.

# After provision for income taxes.

( ) Indicates red figure.

A comparison of the figures in Tables I and III reveals that while, according to the former, the 1958 Long Beach and Wilmington operations of all applicants resulted in losses, the substitution of landlord expenses, as reflected by the latter table, results in a showing of profit for all but Bekins, for the period in question. Again, it is observed that applicants' estimate of a loss of \$9,053 for Signal under the proposed rates, as given in Table II, is converted to a net profit after taxes of \$3,555 by the substitution of landlord expenses, as shown in Table III.

The accountant also presented the results of an analysis of West Coast's operating costs for the years 1954 to 1958 inclusive, in which a segregation of utility expenses incurred at all of its warehouses was attempted as between storage, on the one hand, and handling and miscellaneous services, on the other hand. According to this study, West Coast has consistently sustained substantial losses in rendering the latter group of services, while in all but one of the years studied its storage services were profitable. The study was offered in justification of applicants' proposal to increase only their handling and accessorial charges.

Members of the Commission's staff assisted in the development of the record. Through examination of applicants' witnesses they brought to light some inaccuracies in the expense allocations made in the studies. In some categories of expense, for example, it was found that a portion of a particular cost item should have been assigned to warehouse service, whereas all of it was allocated to handling. Other examples of apparent errors related to allocations of expenses as between "dry" storage services, on the one hand, and cold room services, on the other.

It was the view of applicants' witnesses that revision of expense allocations to eliminate the inaccuracies elicited by the staff would not materially change the end results developed in applicants' studies. The record contains no revised expense figures which would show the effect of such adjustments on the results of operation as set forth in applicants' exhibits.

Notices of the hearing were mailed in advance to all of the warehouse patrons and other persons believed to be interested. No one appeared in opposition to the granting of the application.

#### Conclusions

It is clear that applicants have experienced increases in operating costs since their warehouse rates were last adjusted in 1957. Moreover, on the basis of expense allocations utilized in applicants' studies, as reflected in Table I, 1958 utility operations at the warehouse locations involved herein resulted in losses for all four applicants. Even under the proposed rates, applicants estimate, as shown in Table II, that Bekins and Signal would still sustain deficits, with operating ratios of 111.6 and 111.4 percent, respectively. The same table shows estimated operating ratios for City and West Coast, under the proposed rates, of 97.9 and 98.2 percent, respectively, after provision for income taxes.<sup>5/</sup>

The substitution of landlord expenses for rental expenses of City, Signal and West Coast gives a somewhat more favorable picture, as shown in Table III.

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<sup>5/</sup> We here point out, as in prior decisions, that a warehouse operator using leased facilities is not entitled to as low an operating ratio as the operator who owns his facilities. This stems from the fact that operating expenses for leased facilities include, in rental expense, an allowance for return on investment.

As hereinbefore stated, in its examination of applicants' witnesses the staff elicited some improprieties in certain of the expense allocations utilized in applicants' studies. In the absence of specific corrective figures we are not in a position to determine the weight which should be given to said improprieties in deciding the issues before us.

Upon careful consideration of all the facts and circumstances of record, the Commission finds as a fact that the increases in rates and charges proposed by applicants in this proceeding have been justified. The application, as amended, will be granted.

In view of the urgent need for relief, applicants have requested that they be authorized to establish the increased rates and charges on less than statutory notice. The request appears reasonable. It will be granted.

#### O R D E R

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

IT IS ORDERED that applicants be and they are hereby authorized to establish, on not less than ten days notice to the Commission and the public, the increased rates and charges proposed in the application, as amended, filed in this proceeding.

IT IS FURTHER ORDERED that, in applying percentage increases herein authorized, disposition of fractions shall be made in accordance with the rule set forth on page 2 of the amendment to the application herein.

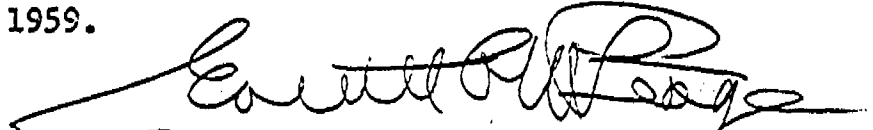
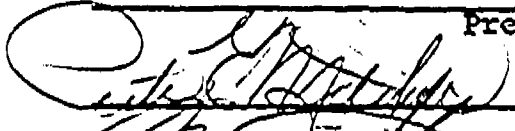
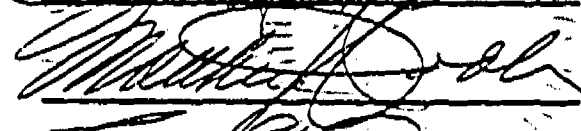
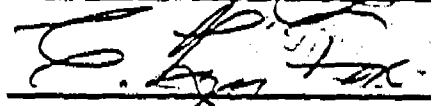

IT IS FURTHER ORDERED that the authority herein granted is subject to the express condition that applicants will never urge

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 FURTHER ORDERED that the authority herein granted shall expire unless exercised within ninety 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 10<sup>th</sup> day of November, 1959.

  
President  
  
  
  
  
Commissioners