

ORIGINALDecision No. 60510

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 ANDERSON CARTAGE & WAREHOUSE CO.,)
 BEKINS WAREHOUSING CORP., BOONE)
 WAREHOUSES, INC., CENTRAL TERMINALS,)
 FORT SUTTER WAREHOUSE CO., L. E.)
 GRAINGER WAREHOUSE CO., HASLETT)
 WAREHOUSE COMPANY, HOWARD TERMINAL,)
 INLAND HARBOR STORAGE COMPANY,)
 LAWRENCE WAREHOUSE & DISTRIBUTING)
 CO., LYON VAN & STORAGE CO.,)
 MERCHANTS EXPRESS OF CALIFORNIA,)
 PACIFIC STORAGE COMPANY, SACRAMENTO)
 WAREHOUSE COMPANY, and WESTERN)
 WAREHOUSE COMPANY, for an increase)
 in rates.)

Application No. 42053

Vaughan, Paul & Lyons, by John G. Lyons,
 for applicants.
Jack L. Dawson, for applicants.
Grant L. Malquist and C. V. Shawler, for
 the Commission's staff.

O P I N I O N

By this application, as amended, fifteen public utility warehousemen engaged in the operation of warehouse facilities for storage and handling of general commodities variously at Sacramento, West Sacramento, Stockton, Modesto and Chico, seek authority to increase rates and charges.¹ Applicants propose to increase their storage rates by 20 percent and their handling rates by 40 percent. Applicants also propose to adjust their accessorial service charges so that they will be uniform with the corresponding charges currently in effect in the San Francisco Bay Area.

Public hearing of the application was held before
 Commissioner Theodore H. Jenner and Examiner Carter R. Bishop in

¹ The application involves ten Sacramento warehouses, six located at Stockton, two at Modesto and one each at West Sacramento and Chico.

Sacramento on June 2, 1960. An adjourned hearing was scheduled for June 29, 1960, for the presentation of evidence by the Commission's staff accountants and engineers. However, the Commission was informed by the staff representatives prior to the adjourned hearing date that after a review of the financial statements of applicants by the staff accountants and after a review of operating income statements for various applicants by the staff engineers and adjustment in operating expenses to reflect higher labor costs which became effective during 1959, as well as other adjustments deemed necessary, it had been concluded that a further hearing in the proceeding was not necessary. On June 21, 1960, the Commission was informed by counsel for applicants that the latter were agreeable to submission of the matter on the record made at the hearing on June 2. The adjourned hearing was then cancelled. In view of the foregoing developments it is concluded that an adjourned hearing is not necessary and Application No. 42053 is hereby taken under submission.

Evidence was offered on behalf of applicants by their tariff publishing agent, by a consulting accountant and by operating officers of four of the warehouse companies. Representatives of the Commission's staff assisted in the development of the record.

The record discloses that applicants were last accorded a general adjustment in rates, at the warehouse locations here in issue, in 1953. The application alleges that, since that time, the operating costs incurred by applicants have increased. These increases have been experienced not only in labor costs, taxes and rents, but also in the prices of materials and supplies. Assertedly, the present rates do not yield sufficient revenues to allow applicants to operate at a reasonable profit, and rates of the level herein sought are necessary to enable applicants to continue in business and to render adequate service to the public.

The tariff publishing agent, who is also secretary of the California Warehousemen's Association, explained the basis for the

sought increases. The percentages of increases, he said, which are proposed herein for the storage and handling rates, respectively, are the same as those which were approved by the Commission for the Fresno warehousemen in Decision No. 55637, dated October 1, 1957, in Application No. 38995. Greater increases are sought in handling than in storage rates, according to this witness, because the costs involved in the handling services relate primarily to labor, in which category of expense the greatest advances have been experienced. The proposed adjustments in accessorial charges, as previously stated, would establish uniformity with the corresponding charges now in effect at warehouses in the San Francisco Bay Area. The percentages of increases proposed in these charges vary widely. Assertedly, the sought revisions would bring the charges more nearly in line with the costs incurred in the rendition of the accessorial services for which said charges are published.

The rates here in issue are published in California Warehouse Tariff Bureau Warehouse Tariffs 18 and 20-C and in Haslett Warehouse Company Warehouse Tariff No. 12. Applicants propose to cancel the aforesaid Tariff 20-C, at the same time transferring rates from that tariff to the other issues. Concurrently it is proposed to cancel certain "dead" rates, which have not been used for several years.

The accountant testified regarding studies he had made of the financial results of operations of the six principal applicants. According to the record, the utility warehouse revenues of the six utilities studied constitute 95 percent of the warehouse revenues of the 15 applicants as a group.² The revenues of all but one of the

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Some of the applicants herein conduct public utility warehousing at other points in addition to those involved in the application herein. The above stated percentage relationship is derived exclusively from the latter category of revenues.

remaining nine applicants arise almost entirely from other than utility warehouse operations.³

The accountant's studies included analyses of utility warehouse operations, at the cities involved herein, for representative periods. These results are summarized for the aforesaid six applicants in Table I below.

TABLE I

Results of Operation of Six Warehousemen for
Year Ending December 31, 1958 (except as noted)

<u>Warehouseman</u>	<u>Revenues</u>	<u>Expenses Including Income Taxes</u>	<u>Net After Taxes</u>	<u>Operating Ratio (Percent)</u>
Central Terminals	\$ 48,102	\$ 47,988	\$ 114	99.8
Fort Sutter *	35,952	37,621	(1,669)	104.6
Haslett	230,872	313,979	(83,107)	136.0
Howard	307,211	311,608	(4,397)	101.4
Sacramento **	38,148	47,424	(9,276)	124.3
Western	87,357	91,941	(4,584)	105.2

* Operating results shown are for the year ending December 31, 1959.

** Operating results shown are for the last seven months of 1959.

() - Indicates loss.

It will be seen that, according to the accountant's analysis, operations for the periods indicated resulted in losses for five of the warehousemen, while the sixth just barely broke even. Most of the deficits were substantial. The figures for four of the applicants included in the study were for the year 1958. According to the witness these were the latest available figures at the time the studies for these utilities were made, which was in the latter part of 1959. Figures for Sacramento Warehouse Company covered only a part of 1959 because it commenced operations in May of that year.

The accountant also made forecasts of operating results for a projected 12-month period under the proposed rates and charges. The estimated net operating revenue, or loss, and the corresponding

³ Most of the utility warehouse revenue of the excepted applicant arises from the storage of tobacco. No increases are herein proposed in the warehouse rates for that commodity.

operating ratios which the witness developed in these studies are set forth in Table II below. Also included in the table are estimated operating results for the six applicants under a continuation of present rates, as calculated from the accountant's exhibits.

TABLE II

Comparison of Estimated Net Operating Revenue and Operating Ratios, After Income Taxes, Under Present and Proposed Rates, for the Rate Year

<u>Warehouseman</u>	<u>*Under Present Rates</u>		<u>Under Proposed Rates</u>	
	<u>Net Revenue</u>	<u>Operating Ratio (Percent)</u>	<u>Net Revenue</u>	<u>Operating Ratio (Percent)</u>
Central Terminals	\$ (2,353)	104.9	\$ 4,148	92.5
Fort Sutter	(3,154)	108.9	2,901	93.1
Haslett	(89,210)	138.6	(34,532)	112.1
Howard	(27,207)	108.9	23,434	93.5
Sacramento	(9,276)	124.3	(7,579)	119.0
Western	(10,669)	112.2	5,312	94.9

* Calculated from exhibits of record.

() - Indicates loss.

In developing his estimates of operating results the accountant found it necessary to make various allocations of expenses between the utility warehouse operations here in issue and other business activities of the applicant warehousemen. In projecting operating results for the rate year the accountant based his revenue estimates under the proposed rates on the actual volume of business done by the six applicants during the periods reflected by Table I. Actual expenses incurred during those periods were adjusted to reflect increases in operating costs which have occurred since the starting dates of said periods. However, the record discloses that the accountant did not give full effect to all increases in operating expenses which had transpired up to the time of the hearing in this matter.

The record discloses that four of the six utilities included in the accountant's studies do not own the warehouse

facilities in which they operate, but rent or lease them from other concerns. In view of the extremely small rate base estimates reflected by these utilities, the witness did not include, for them, estimates of rates of return. In his opinion, rates of return computed on such rate base estimates would have no significance. In his analysis of the remaining two warehousemen of the study, he developed estimates of 3.7 percent for Fort Sutter Warehouse Company and 2.5 percent for Western Warehouse Company, under the proposed rates. His rate base estimates included allowances for working capital. If these allowances were to be excluded, the estimated rates of return for these two applicants would be 4.1 and 2.7 percent, respectively.

The testimony of the operating witnesses shows that applicants actively compete with each other and that in such an atmosphere uniformity of rates and charges as among the various warehousemen here involved is necessary for the stability of the industry.

Notices of the hearing were mailed in advance to all of applicants' utility warehouse patrons who utilize the facilities involved in this proceeding, and to other persons believed to be interested. No one appeared in opposition to the granting of the application.

According to the estimated operating results developed by applicants' accountant witness, all of the six warehousemen, who, as a group, earn 95 percent of the revenues involved in this proceeding, would conduct the utility warehousing operations in question at a loss under a continuation of present rates. Even under the proposed rates the estimates of record indicate operating ratios of 112.1 and 119.0 percent, respectively, for two of the applicants.

The estimated ratios for the other four under proposed rates range from 92.5 to 94.9 percent, after income taxes.

Examination of the cost witness by the staff representatives showed some infirmities in the procedures followed by the former in developing his estimates. However, any overstatement of estimated expenses or understatement of estimated revenues, which may be reflected by the studies in question are offset, at least in part, by the fact that the estimated operating results do not give effect to certain increased costs, including a wage increase for applicants' employees, together with increases in related payroll expense, which took effect after the public hearing in this matter.

The record indicates that the increased operating costs which the six principal warehousemen have experienced have also been encountered by the other warehousemen who are parties to the proceeding and that the latter group are in need of increased revenues.

Upon careful consideration of all the facts and circumstances of record, the Commission is of the opinion and hereby finds and concludes that the increases in rates and charges and the other tariff adjustments proposed by applicants in this proceeding have been justified. The application, as amended, will be granted.

Applicants have requested that they be authorized to establish the sought rate adjustments on one day's notice. Such brief notice would be inadequate. In view of the urgent need for additional revenues, applicants will be authorized to make publication effective on not less than five days' notice to the Commission and to the public and the order which follows will be made effective ten days after the date hereof. In authorizing the above-described increases we do not make any finding of fact as to the reasonableness of any particular rate or charge.

O R D E R

Based upon the evidence of record and upon 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 five days' notice to the Commission and to the public, the increased rates and charges and other tariff changes proposed in the application, as amended, filed in this proceeding.

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 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 2nd day of August, 1960.

[Signature]
President

[Signature]

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Commissioners