

**ORIGINAL**Decision No. 61853

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
 INTERAMERICAN WAREHOUSE CORPORATION, )  
 for authority to increase its rates )  
 as warehouseman in the City of )  
 Commerce. )

Application No. 42678

O P I N I O N

By Decision No. 61350, dated January 17, 1961, in the above-entitled proceeding, Interamerican Warehouse Corporation was authorized to increase certain of its public utility warehouse rates by 15 percent. That authorization was made on an interim basis, and as an emergency measure, pending complete analysis of the record.

As stated in the above-mentioned decision, applicant seeks in the application herein authority to increase its storage rates by 10 percent, its rates for handling in and out by 20.75 percent, and its rates and charges for accessorial services by varying amounts. The interim authorization of 15 percent applied to its handling in and out rates and to all of its accessorial charges except those for "special labor and clerical services." The effect of that adjustment was to increase applicant's rates and charges to the levels generally prevailing among public utility warehousemen in the Los Angeles area.<sup>1/</sup> The full amount of the increases herein sought, if granted, would set applicant's rates for storage, handling and accessorial services at the levels sought by 44 Los Angeles area warehousemen in Application No. 42592.

<sup>1/</sup> Applicant's history and the circumstances which led up to the filing of Application No. 42678 are set forth in Decision No. 61350.

The record herein shows that applicant leases its facilities from another corporation, Slauson Warehouse Corporation, and that the stockholders of the two companies are identical. Under the lease arrangement applicant pays not only rent but also the real estate taxes and bears the normal maintenance expense of the warehouse facilities.

According to a revenue and expense statement attached to the application, the utility's operations for the 12-month period ended March 31, 1960, resulted in a deficit of \$30,677.<sup>2/</sup>

Applicant estimates that, had the sought rate increases been in effect during that period, a loss of \$7,633 would have been sustained. At the hearing, questioning of applicant's president by counsel for the Commission's staff disclosed that interest payments and contributions were improperly included in the development of public utility operating expenses. It appears also that practically the entire amount of organization expense was written off in the 12-month period in question, as an operating expense. A reasonable basis for treating this item would be to amortize it over a ten-year period. On the other hand, the record shows that applicant's president took no salary during 1959 and 1960, consequently the statement of expenses includes no allowance of compensation for his managerial services.

In the table below are set forth the operating results for the fiscal period in question as developed by applicant, and as adjusted by the staff in the following manner: (1) by elimination, from operating expenses, of interest payments and

---

<sup>2/</sup> The figures quoted do not constitute a normal year's operations, since applicant began business in May of 1959, and several months were consumed in building up the tonnage under storage to the present average occupancy.

contributions;<sup>3/</sup> (2) by reduction of the amount allowed for organization expense to one tenth of the total of such expense incurred; (3) by elimination of rent paid to the affiliated company for the use of the warehouse buildings and land, and substitution of landlord expenses therefor.

In the table are shown also estimated operating results for a projected rate year, under the proposed rates. The aforementioned revenue and expense statement included applicant's operating results for the four-month period April-July, 1960, as recorded on its books, and set forth applicant's estimate of what the experience would have been for that period under the proposed rates. The estimated results for the projected rate year, as shown in the table below, have been developed by expanding to a full year the above-mentioned estimate of applicant for said four-month period, and by making the same type of adjustments as described above in connection with the figures for the fiscal period ending March 31, 1960.<sup>4/</sup> In this connection the record does not show whether the four-month period, April-July, may properly be considered representative of a year's operations.

---

<sup>3/</sup> In this instance, contributions were minimal.

<sup>4/</sup> In developing its estimate of expenses in connection with operating results under the proposed rates, for the above-mentioned four-month period, applicant included an allowance of \$2,000 per month for the managerial services of its president. In the "Adjusted" column of the table, which follows, this basis has been somewhat modified.

TABLE

	Fiscal Period Ended March 31, 1960		Under Proposed Rates (Projected Rate Year)	
	AS		AS	
	Applicant	Adjusted	Applicant	Adjusted
Operating Revenues	\$128,214	\$128,214	\$209,565	\$209,565
Operating Expenses	<u>158,891</u>	<u>136,557</u>	<u>227,694</u>	<u>157,738</u>
Net Before Income Taxes	\$ (30,677)	\$ (8,343)	\$ (18,129)	\$ 51,827
Income Taxes	-	-	-	20,154
Net After Taxes	\$ (30,677)	\$ (8,343)	\$ (18,129)	\$ 31,673
Operating Ratio	123.9%	106.5%	108.7%	84.9%
Depreciated Rate Base (as of March 31, 1960)		\$704,454		\$704,454
Rate of Return	-	-	-	4.5%

○ - Indicates loss.

The rate base estimate shown in the "Adjusted" columns of the table was developed by inclusion therein of the depreciated cost to the owning company (as of March 31, 1960) of the land and buildings devoted by applicant to public utility warehousing. Average rate base figures for the entire fiscal period ending with the above date are not in the record. Also, the record does not indicate the amount of annual depreciation on said real estate, from which an average depreciated rate base for the projected rate year (ending March 31, 1961) could be determined. Consequently, the rate of return shown in the "Adjusted" column under the proposed rates, predicated as it is on the rate base as of March 31, 1960, is somewhat understated.

The wide differences between the operating results as shown by applicant and those in the "Adjusted" columns is principally attributable to the fact that the rent and property taxes paid by

applicant greatly exceed the landlord expenses borne by the affiliate. The rent alone was \$50,500, during the fiscal period ending March 31, 1960. This was for 110,000 square feet of warehouse and office space. In the year beginning April 1, 1960, the rent was at the rate of \$6,000 per month.

The adjusted estimate of operating results under the proposed rates, as summarized in the last column of the table, reflects net annual operating income, after income taxes of \$31,673, with an operating ratio of 84.9 percent, and return of 4.5 percent on the depreciated rate base. If estimated operating results of applicant for the projected rate year were to be predicated on the rate increases which the majority of public utility warehouses were granted by Decision No. 61781, dated April 4, 1961,<sup>5/</sup> such estimated results would be summarized as follows:

Operating Revenues	\$196,365
Operating Expenses	157,738
Net Before Income Taxes	<u>\$ 38,627</u>
Income Taxes	12,942
Net After Taxes	<u>\$ 25,685</u>
Operating Ratio	86.9%
Rate of Return	3.6%

The estimate of revenues shown in the above tabulation is only approximate, since the record does not contain a complete segregation of accessorial charge revenues according to the type of service rendered. Again it is evident that the period, four months, on which the estimated operating results, in both of the foregoing tabulations, for the projected rate year are predicated, is too brief to be entirely reliable.

<sup>5/</sup> In Application No. 42592. Applicants therein were authorized to increase their charges for accessorial services by 20 percent, as a maximum, and to increase charges for handling in and out by 5 percent, as sought. The request for a 10 percent increase in storage charges was denied.

The record discloses that the owning company computes depreciation expense of the warehouse structures by the "sum of the years-digits" method, or liberalized depreciation. The income taxes shown in the foregoing tables reflect this basis.

In Decision No. 61781 in Application No. 42592, of which we hereby take official notice, attention was directed to the highly competitive nature of the public utility warehouse business in the Los Angeles area. This circumstance, we pointed out, necessitated the maintenance of substantial rate uniformity as among the various warehousemen operating in that area. The record herein shows that applicant's operations play an active part in the competitive forces in question. While it appears that the full amount of rate increases sought herein is not warranted on this record, we are of the opinion and hereby find that increases in applicant's rates and charges to the levels authorized in Decision No. 61781 for the warehousemen parties to the aforesaid Application No. 42592 have been justified. Pursuant to this finding applicant will be authorized to substitute an increase of 20.75 percent for the interim increase<sup>6/</sup> of 15 percent in rates for handling in and out, and to substitute an increase of 38 percent for the interim increase of 15 percent in rates for so-called accessorial services, including all rates and charges in the "rules and regulations" section of applicant's tariff. The 38 percent increase is subject to the condition, however, that in no event shall said increase exceed the amount sought by applicant herein. The sought increase of 10 percent in storage rates is denied.

---

<sup>6/</sup> Authorized by Decision No. 61350, in the application herein.

The proposed revision in language of the rules and regulations in applicant's tariff would bring those provisions into general conformity with the rules and regulations proposed by the parties to the aforesaid Application No. 42592. We further find that the changes in language, in rules and regulations, as proposed by applicant, have been justified, subject to the following modification: The language proposed for paragraph (c) of proposed Rule 35 (relating to charges for labor furnished for Saturday, Sunday and holiday work) lacks that clarity and preciseness required by General Order No. 61 and by the statutes. We find proposed Rule 35 (c) not justified.

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:

1. Interamerican Warehouse Corporation is hereby authorized, on not less than five days' notice to the Commission and to the public, to establish in its Warehouse Tariffs Nos. 3 and 4, Cal. P.U.C. Nos. 3 and 4, respectively, in lieu of the interim increases authorized by Decision No. 61350, increased rates and charges as follows:

- (a) Substitute for the interim increase of 15 percent in rates and charges for handling in and out an increase of 20.75 percent.
- (b) Substitute for the interim increase of 15 percent in all rates and charges set forth in the "rules and regulations"

section of said tariffs an increase of 38 percent, except that no such rate or charge shall be increased by a greater amount than that proposed in the application filed herein.

(c) Revise the language of the Rules and Regulations of said tariffs as proposed in the application as amended, filed herein, except as to proposed Rules No. 35 (c) of said Tariff No. 29.

2. The increased rates and charges authorized by numbered paragraph 1 of this order may be established by the publication of a surcharge rule. Resulting fractions of less than one-half cent will be dropped, and fractions of one-half cent or greater will be increased to the next whole cent.

3. The authority herein granted is subject to the express condition that applicant 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 a consent to this condition.

4. The authority granted by Decision No. 61350 is hereby rescinded.

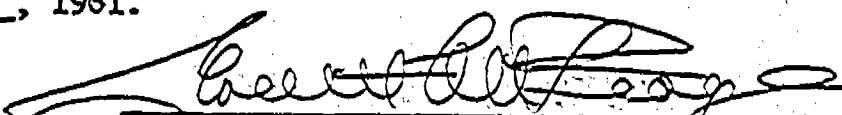
5. In all other respects Application No. 42678, as amended, is denied.

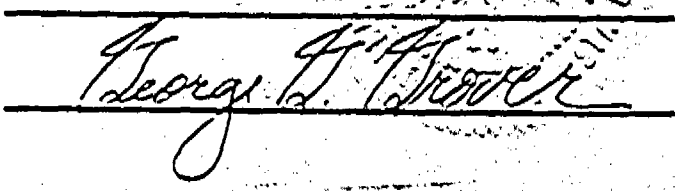


6. The authority herein granted shall expire unless exercised within one hundred twenty days of the effective date of this order.

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

Dated at San Francisco, California, this 18<sup>th</sup> day of APRIL, 1961.

  
\_\_\_\_\_  
President

  
\_\_\_\_\_  
Commissioners