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ORIGINAL

Decision No. _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 BEKINS WAREHOUSING CORP., CITY TRANSFER,
 INC., doing business as CITY WAREHOUSE
 & STORAGE CO., CRESCENT WAREHOUSE CO.,
 LTD. and WEST COAST WAREHOUSE CORPORA-
 TION for authority to increase their
 rates as warehousemen in the Los Angeles-
 Long Beach Harbor Area.

Application No. 45056

Arlo D. Poe, for applicants.
Ross A. Bleming, for West Coast Warehouse Corporation;
A. B. Herbold, for Crescent Warehouse Co.;
Jackson W. Kendall and Richard L. Smith, for
 Bekins Warehousing Corp.; Charles W. Owen, for
 City Transfer, Inc.; applicants.
James Quintrall and J. C. Kaspar, for California
 Trucking Association, interested party.
Leonard Diamond, Rudolph Lubich, and Harry G. Scheibe,
 for the Commission staff.

O P I N I O N

Bekins Warehousing Corp., City Transfer, Inc., Crescent Warehouse Co., Ltd. and West Coast Warehouse Corporation are public utility warehousemen.^{1/} By this application they seek authority to increase their warehouse rates and charges applicable at warehouses located in Long Beach and Wilmington and on Terminal Island.

Public hearing on the application was held before Examiner Bishop at Los Angeles on February 20, 1963. With the filing of an exhibit on February 27, 1963, the matter was taken under submission.

The rates of Bekins, City and West Coast here in issue are set forth in California Warehouse Tariff Bureau Warehouse

^{1/} Applicants will sometimes hereinafter be referred to as Bekins, City, Crescent and West Coast, respectively.

Tariff No. 13-A, Cal. P.U.C. No. 103 (L.A. Bailey Series). It is proposed to increase all rates and charges contained therein by 20 percent. The rates of Crescent are published in its Warehouse Tariff No. 2, Cal. P.U.C. No. 2. Crescent proposes to cancel that tariff and concurrently be made a party to the aforesaid Tariff No. 13-A, at the level of rates sought for Bekins, City and West Coast. According to the application, this latter adjustment would result in rate increases for Crescent approximating 18.5 percent.

The rates and charges in C.W.T.B. Tariff No. 13-A were last adjusted effective December 26, 1959, pursuant to Decision No. 59255 in Application No. 41214. The most recent revision in Crescent's Tariff No. 2 became effective December 10, 1952 under authority of Decision No. 47848 in Application No. 33587. It is alleged in the application that since December 26, 1959 the costs of providing warehouse services of Bekins, City and West Coast have increased, and that said increases have been experienced in substantially all expense items, including wages, salaries, materials, supplies, rents and taxes. It is further alleged that Crescent, since December 10, 1952, has experienced, to an even greater degree, increased costs in providing warehouse services. The rate increases now proposed, the application states, are necessary to compensate for the aforesaid increased operating costs and to provide applicants with a reasonable profit.

The results of a study of applicants' operating results for the year 1961, attributable to the warehouse services rendered at the warehouses here under consideration, were introduced at the hearing by a public accountant. These results are summarized in Table I below.

TABLE I
RESULTS OF OPERATIONS
FOR
CALENDAR YEAR 1961

	<u>Bekins</u>	<u>City</u>	<u>Crescent</u>	<u>West Coast</u>
Revenues	\$41,920	\$21,603	\$29,694	\$257,559
Expenses	<u>44,654</u>	<u>21,722</u>	<u>42,038</u>	<u>260,202</u>
Net Operating Revenue	\$(2,734)	\$ (119)	\$(12,344)	\$ (2,643)
Operating Ratio	106.5%	100.6%	141.6%	101.0%

() Indicates red figure.

Each of the applicant warehousemen engages in business activities additional to those embraced by the tariffs involved in this proceeding. City and West Coast have substantial trucking operations. City's warehouse revenues constitute a very small part of its total revenues. Some of the applicants engage in public utility storage at points other than Wilmington, Long Beach and Terminal Island. While Bekins Warehousing Corp. 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 company is engaged in the transportation and storage of used household goods. Crescent, in addition to its public utility warehouse activities, operates a warehouse for the Port of Los Angeles on a contract basis.^{2/}

In view of the above-mentioned business activities it was necessary, in the development of the accountant's study, for the revenues and expenses attributable to the warehouse operations here

^{2/} Applicant Crescent Warehouse Co. is a subsidiary of Crescent Wharf and Warehouse Company. The latter, the record shows, is primarily engaged in the stevedoring business.

in issue to be segregated from those associated with applicants' other services. While the storage and handling revenues were separately recorded in applicants' book records, it was necessary in many instances to make allocations of expenses. The bases utilized, the accountant testified, were the same as those which had been employed in earlier proceedings involving the same warehousemen. He enumerated the various bases of expense allocation, and stated the reasons for the utilization of each basis.^{3/}

Applicants' revenue and expense studies also included projected operating results under a continuation of present rates, and under the proposed increased rates. In Table II below, these results are summarized.

TABLE II
ESTIMATED RESULTS OF OPERATIONS
UNDER PRESENT AND PROPOSED RATES
FOR THE PROJECTED RATE YEAR #

	Bekins		City	
	Present Rates	Proposed Rates	Present Rates	Proposed Rates
Revenues	\$41,920	\$50,304	\$21,603	\$25,924
Expenses	<u>46,062</u>	<u>46,062</u>	<u>21,936</u>	<u>21,936</u>
Net Before Income Taxes	\$(4,142)	\$ 4,242	\$ (333)	\$ 3,988
Income Taxes	<u>100</u>	<u>1,436</u>	<u>100</u>	<u>1,350</u>
Net After Taxes	\$(4,242)	\$ 2,806	\$ (433)	\$ 2,638
Operating Ratio After Taxes	110.1%	94.4%	102.0%	89.8%

	Crescent		West Coast	
	Present Rates	Proposed Rates	Present Rates	Proposed Rates
Revenues	\$29,694	\$33,043	\$260,600	\$298,840
Expenses	<u>43,402</u>	<u>43,402</u>	<u>269,734</u>	<u>269,734</u>
Net Before Income Taxes	\$(13,708)	\$(10,359)	\$ (9,126)	\$ 29,106
Income Taxes	<u>100</u>	<u>100</u>	<u>100</u>	<u>10,404</u>
Net After Taxes	\$(13,808)	\$(10,459)	\$ (9,226)	\$ 18,702
Operating Ratio After Taxes	146.5%	131.7%	103.9%	93.7%

() Indicates red figure.
The basis for the projected rate year is set forth in the next paragraph.

^{3/} The expense allocations in the Bekins study, to the extent that such were necessary, were made by an accounting officer of that company. He testified concerning the bases of allocation which he had used.

The projected expenses were developed by adjusting the expenses for 1961, as summarized in Table I, to give effect, for the entire 12-month period, to the wage and payroll increases which had taken place since January 1, 1961. In bringing his expense estimate up to current levels the witness did not attempt to give effect to increases in categories other than labor and related costs. Moreover, he did not include the impact of wage increases of 13 cents per hour, effective June 17, 1963, and of 19 cents per hour, effective July 1, 1963, applicable to warehouse workers of Crescent and West Coast, respectively, under existing contracts, nor to an increase in social security taxes which has been experienced in 1963 by all four applicants.^{4/}

With respect to the revenue estimates under the proposed rates, the accountant adjusted the revenues summarized in Table I to give appropriate effect to the sought increases. The projection of estimated operating results under a continuation of present rates also required adjustment of the revenue figures summarized in Table I to give full effect for a 12-month period to rate increases experienced by West Coast under California Warehouse Tariff Bureau Tariff No. 28-A (not involved in this proceeding) effective April 4, 1961 and April 23, 1962.^{5/}

^{4/} City has one warehouse worker, a salaried employee. The contract which Bekins had with its employees at the time of hearing was scheduled to expire on April 1, 1963. The record necessarily does not show what wage increases, if any, became effective thereafter for said employees.

^{5/} The tariff in question is of general application at warehouses in the Los Angeles area, including the warehouse location of West Coast involved herein. While the revenues of that applicant were developed separately for the two tariffs, Nos. 13-A and 28-A, it was not practicable to segregate the expenses incurred in the rendition of services under the respective tariffs. Consequently, it was necessary to include the revenues accruing under Tariff 13-A in the development of operating results for West Coast. This is true both as to Table I and Table II, above.

The accountant also developed rate base and rate of return estimates. Since City and West Coast lease their warehouse facilities from an affiliate and from the City of Long Beach, respectively, it was found necessary to include the depreciated value of said facilities in the development of realistic rate base estimates for those applicants. At the same time, the accountant adjusted his operating expense estimates for City and West Coast by eliminating rental expense therefrom and by substituting landlord expenses. This was necessary in order to develop meaningful estimated rates of return. In Table III, below, are set forth rate base estimates and estimated net revenue and rates of return, after income taxes, under the proposed rates, as developed by the accountant for each applicant. The rate base estimates reflect the averages of the figures for December 31, 1960 and December 31, 1961.

TABLE III

ESTIMATED RATE BASES, NET REVENUES
AND RATES OF RETURN
UNDER PROPOSED RATES

<u>Warehouseman</u>	<u>Rate Base</u>	<u>#Net Revenue</u>	<u>#Rate of Return (Percent)</u>
Bekins	\$ 88,674	\$ 2,806	3.2
City	62,365	5,597	9.0
Crescent	58,305	(10,459)	-
West Coast	1,637,170	24,931	1.5

After provision for income taxes.
() Indicates red figure.

The foregoing estimates of operating results under the proposed rates as set forth in Tables II and III, above, were predicated on the assumption that the volume and kinds of business to be done by applicants during the projected rate year would be the same as was experienced during 1961. The record indicates that

the services rendered by applicants in 1962 were, and those to be performed in 1963 would be, comparable to the actual experience of 1961.

In support of the proposal to apply a uniform increase of 20 percent in the rates for all warehouse services here in issue, the accountant expressed the view that it was not possible to make an accurate breakdown of storage expenses, on the one hand, and of handling services, on the other. Consequently, he said, it was impracticable to determine the extent to which individual classes of warehouse service should be increased. Additionally, he pointed out that for several years there have been no increases in the storage rates provided in the aforesaid Tariff 13-A and that for an even longer period the storage rates in the Crescent tariff have remained unchanged.

Crescent's vice president testified concerning the history of that applicant's warehouse rates. He pointed out that for a number of years Crescent's rates have been maintained on a higher level than those of the other applicants because Crescent's labor contract, which is with the longshoremen's union, has historically provided for higher wage rates than have been paid the employees of the other operators.^{6/} Although under the proposed rates, he said, Crescent's public utility warehouse operations will continue to reflect losses, the maintenance of such operations is of assistance in securing stevedoring business for Crescent's parent company. Crescent, moreover, deems it advisable to establish the same rates as those sought by its competitors, the other applicant warehousemen.

^{6/} West Coast's wage contract is with the teamsters' union, while Bekins has a separate van and storage contract with that union. As previously stated, City employs a salaried warehouse worker.

Members of the Commission's Finance and Accounts Division and Transportation Division staff assisted in the development of the record. Notices of hearing were mailed in advance to all of the warehouse patrons and other persons believed to be interested. No one opposed the granting of the application.

The figures in Table I, above, show that the public utility warehouse operations of all four applicants resulted in losses in 1961. According to Table II, all applicants would still operate at a loss under a continuation of present rates. Even under the proposed rates Crescent would incur a substantial loss, according to the accountant's projections, while the operations of the other three applicants would reflect varying degrees of prosperity. The estimated rates of return, as set forth in Table III, would be 1.9, 3.2 and 9.0 percent for West Coast, Bekins and City, respectively.

Upon consideration of the evidence we find that:

1. The revenues derived by applicants from the public utility warehouse operations here in issue under their present rates are insufficient to meet operating expenses, to provide a reasonable profit and to assure a continuation of adequate warehouse service to the public.

2. The proposed rates will produce financial results of operation which will still leave Crescent in a deficit position and which will not be unduly favorable for the other three applicants.

3. The proposed rate increases have been justified.

The Commission concludes that the application should be granted as set forth in the following order.

In reaching this conclusion we do not accept the testimony of applicant's accountant that it is impractical to allocate or

segregate expenses to the various services in order to measure the reasonableness of specific rates. This has been done by other warehouse operators;^{7/} however, in this instance it does not appear to be necessary.

In view of the urgent need for additional revenues, applicants have requested that the increased rates be made effective on less than statutory notice. The request appears reasonable. The order which follows will so provide. Additionally, the order will be made effective ten days after its date.

O R D E R

IT IS ORDERED that:

1. Bekins Warehousing Corp., City Transfer, Inc., Crescent Warehouse Co., Ltd., and West Coast Warehouse Corporation are authorized to establish the increased rates as proposed in Application No. 45056. Tariff publications authorized to be made as a result of the order herein may be made effective not earlier than ten days after the effective date hereof on not less than ten days' notice to the Commission and to the public.

2. To the extent that the establishment of said increased rates will result in rates with fractional portions of one cent, said fractional portions shall be adjusted as follows:

To the nearest $1/10$ of one cent if the rate is less than 3 cents;

To the nearest $1/4$ of one cent if the rate is 3 cents or more but less than 6 cents;

To the nearest $1/2$ of one cent if the rate is 6 cents or more but less than 11 cents; and

^{7/} Decision No. 63737 in Application No. 43877 and related matters, involving increases in rates in Northern California cold storage warehouses.

To the nearest cent if the rate is 11 cents or over.

3. 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.

4. The authority herein granted shall expire unless exercised within ninety 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 10th day of SEPTEMBER, 1963.

William W. Burnett
 President

John E. Mitchell

Walter G. Long

George H. Grover

Fredrick B. Holcomb
 Commissioners