

Decision No. 67092**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 SOUTH COAST PACKING COMPANY, INC., dba)
 SOUTH COAST STORAGE CO., INC., for)
 Authority to increase certain ware-)
 house rates.)

Application No. 46063
 (Filed December 30, 1963,
 Amended March 11, 1964)

O P I N I O N

Applicant, South Coast Packing Company, Inc., doing business as South Coast Storage Co., Inc., seeks authority to increase certain warehouse handling rates and accessorial charges and to publish such rates and charges on not less than ten days' notice. The rates proposed to be established are on the same level as those established by a group of competing warehousemen operating in the greater Los Angeles area pursuant to Decision No. 65874, dated August 13, 1963, in Application No. 44946 (unreported). Applicant began public utility warehouse operations on April 25, 1962. Applicant's initial rates, which are sought to be increased, are on the levels maintained by competing warehousemen prior to the rate increase authorized by said Decision No. 65874. Applicant has determined that its operating results under its present rates are unsatisfactory and desires to increase its rates to the levels authorized to other Los Angeles warehousemen.

Incorporated in the application are a balance sheet as of March 31, 1963 and a profit and loss statement for the year ending March 31, 1963, under actual operations. Applicant has also furnished operating statements for the 12-month period ending March 31, 1963 adjusted to give effect to the sought increases in rates and to known changes in expenses. These profit and loss

statements, revised to reflect federal income taxes at the lower rates effective January 1, 1965 for future operations, are set forth in the following table:

SOUTH COAST STORAGE CO., INC.
Profit and Loss Statement for
Public Utility Warehouse Oper-
ations for the Year Ending
March 31, 1963

	<u>Actual</u>	<u>Adjusted</u>	
		<u>Present Rates and Increased Expenses</u>	<u>Proposed Rates and Increased Expenses</u>
Revenues	\$125,760	\$125,760	\$133,488
Expenses	107,070	122,818	122,818
Operating Income	18,690	2,942	10,670
Income Taxes	6,327	774	2,805
Operating Income after Income Taxes	12,363	2,168	7,865
Rate Base	194,147	195,883	196,319
Rate of Return (1)	6.4%	1.1%	4.0%
Operating Ratio (1)	90.2%	98.3%	94.1%

(1) After Income Taxes

Allocations of property between utility and non-utility operations are set forth in the application. These statements show that the total cost of applicant's property was \$393,434. As of March 31, 1963, accrued depreciation (on the straight-line method) of \$32,078 was recorded. Net property was allocated \$177,223 to public utility warehouse operations and \$184,133 to non-utility operations. Applicant's rate base figures reflect the depreciated utility warehouse property and working capital.

The application states that since March 31, 1963 applicant's expenses have increased by the employment of a plant supervisor at an annual salary of \$10,000, and an additional office

employee at an annual salary of \$4,500. In addition, wages to existing employees have increased \$1,248 per year. These additional expenses, which are reflected in the above table, total \$15,748 per year. The additional revenue anticipated under the sought increase is \$7,728 per year. As shown in the above table, revenues and expenses reflecting proposed rates and increased expenses will result in an operating ratio of 94.1 percent and a rate of return of 4.0 percent after taxes. In Decision No. 68574 (supra) we found an average operating ratio of approximately 91 percent to be reasonable for competing warehousemen.

The application states that applicant has informed its storers of record of its intention to seek authority to increase rates as set forth in this application, and has received no objections to the filing of the application.

The Commission finds that the increased rates sought herein are justified. A public hearing is not necessary. In view of the indicated need for additional revenue, applicant should be authorized to publish the sought rates on ten days' notice. The Commission concludes that the application should be granted.

O R D E R

IT IS ORDERED that:

1. South Coast Packing Company, Inc., doing business as South Coast Storage Co., Inc. is authorized to establish the increased rates and charges proposed in Application No. 46063. 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. The authority herein granted shall expire unless exercised within ninety days after the effective date of this order.

The effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California, this 14th day of APRIL, 1964.

Hollman L. Beards
President
George E. Grover
Frederick B. Hallock
Commissioners