

ORIGINAL

Decision No. 68958

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of LYLE V. ABBOTT, doing business as ACE CITY WAREHOUSE, G.W.A. INCORPORATED, doing business as ALLIED WAREHOUSE COMPANY, E. H. GOOD, doing business as AMERICAN WAREHOUSE, CHARLES A. PEARSON, doing business as ANAHEIM TRUCK & TRANSFER CO., ATLANTIC TRANSFER CO., B & M TERMINAL FACILITIES INC., BEKINS WAREHOUSING CORP., CALIFORNIA CARTAGE WAREHOUSE CO., a division of CALIFORNIA CARTAGE COMPANY, INC., DANIEL C. FESSENDEN COMPANY, doing business as CALIFORNIA WAREHOUSE CO., CENTRAL TERMINAL WAREHOUSE CO., H. G. CHAFFEE COMPANY, CHARLES WAREHOUSE CO., INC., CITIZENS WAREHOUSE TRUCKING COMPANY, INC., COLUMBIA VAN LINES, INC. OF CALIFORNIA, CONSOLIDATED WAREHOUSE COMPANY OF CALIFORNIA, DAVIES WAREHOUSE COMPANY, FREIGHT TRANSPORT COMPANY, G-K DISTRIBUTING, INTERAMERICAN WAREHOUSE CORPORATION, JENNINGS-NIBLEY WAREHOUSE CO. LTD., LAW EXPRESS, INC., LOS ANGELES TRANSPORT & WAREHOUSE CO., LYON VAN & STORAGE CO., M & M TRANSFER COMPANY, METROPOLITAN WAREHOUSE CO., MOSER TRUCKING INCORPORATED, OVERLAND TERMINAL WAREHOUSE CO., PACIFIC COAST TERMINAL WAREHOUSE CO., PACIFIC COMMERCIAL WAREHOUSE, INC., FAXTON TRUCKING COMPANY, PEERLESS TRUCKING COMPANY, REDWAY TRUCK & WAREHOUSE COMPANY, SIGNAL TRUCKING SERVICE, LTD., STAR TRUCK & WAREHOUSE CO., SUPERIOR FAST DRAYAGE, TORRANCE VAN & STORAGE COMPANY, UNION TERMINAL WAREHOUSE, VELTMAN WAREHOUSE CO., and WEST COAST WAREHOUSE CORP. for authority to increase their rates as warehousemen in the City of Los Angeles and other Southern California points.

Application No. 47175
 (Filed December 4, 1964)
 (Amended February 8, 1965)

Arlo D. Poe and Jack L. Dawson, for applicants.
M. A. Papaleo, L. Pittman, Harold Drury, Robert
E. Johnston, Morgan Stanley, J. A. Williams,
Alexander M. Dickie, J. E. Matinas, E. M. Ely,
Paul P. Schmitz, W. C. Elliott, Art Waller,
D. Cooke, Dalton Feldstein, E. R. Booth, Charles
Shuken, Al Goodman, William Allison, Clyde R.
Hoagland, Raymond M. Veltman, John R. Burbridge,
for various public utility warehousemen, applicants.
Bernie Solway and Maurie Gutfeld, for Hecht Fast
Freight; Carl F. Peters, for Los Angeles Ware-
housemen's Association; and H. F. Kollmyer and
J. C. Kaspar, for California Trucking Association,
interested parties.
Timothy E. Treacy, John R. Laurie, Harry G. Scheibe
and Charles J. Astrue, for the Commission staff.

INTERIM OPINION

Applicants operate public utility warehouses for the storage of general commodities within Los Angeles and at other Southern California points. By this application, as amended, they seek authority to increase their tariff rates and charges as follows:^{1/}

1. Storage rates and charges, 10 percent.
2. Handling charges, 15 percent.
3. Rules and Regulations - Rates and charges
 - (a) Rates and charges contained in certain designated tariff rules are proposed to be increased by specific amounts.
 - (b) All rates and charges contained in tariff rules and regulations not specifically referred to, to be increased by 25 percent.

^{1/} The rates and charges sought to be increased are published in California Warehouse Tariff Bureau Warehouse Tariffs Nos. 28-A and 29-A (Cal. P.U.C. Nos. 193 and 194, respectively) and M & M Transfer Company Warehouse Tariff No. 6 (Cal. P.U.C. No. 6) and Torrance Van & Storage Company Warehouse Tariff No. 4 (Cal. P.U.C. No. 4). The tariffs are all issued by Jack L. Dawson, Agent.

The comprehensive studies to be submitted in support of the increases herein proposed cannot be completed by applicants for several months. Applicants contend, however, that because of the insufficiency of the present rates and charges under which they are performing utility warehouse services, an immediate increase in revenues is urgently needed. Authority is, therefore, requested for an interim increase of eight percent in all rates and charges, except those provided for storage, contained in the aforementioned tariffs. Authority is also requested to make such interim increase effective on not more than ten days' notice; it is further requested that thereafter the matter be set for future hearings for the receipt of evidence in support of the application generally.^{2/}

Public hearings relative to the sought interim relief were held before Examiner Gagnon at Los Angeles on January 21, and 22, 1965. The interim phase of the application was submitted on the latter date, subject to the filing of a late-filed exhibit, which has been received, and upon the filing of an amendment to the application on February 8, 1965. By this amendment, Dart Warehouse, Inc. was made an applicant to the proceeding.

At the conclusion of the hearings, Application No. 47175, as amended, was adjourned to a later date, at which time applicants and the Commission staff are expected to have their respective studies completed.

Evidence on behalf of applicants was presented through the tariff publishing agent of the California Warehouse Tariff Bureau and the assistant director of the Division of Transportation

^{2/} The Commission staff also requested an opportunity to prepare economic studies of the warehouse operations of applicants for subsequent presentation in evidence at future hearings.

Economics of the California Trucking Association. Applicants' witnesses were cross-examined by staff counsel.

The rates and charges of applicants were last adjusted, effective January 27, 1964, pursuant to Decision No. 66588, dated January 7, 1964, in Application No. 45521 (62 Cal. P.U.C. 175). The decision authorized the utility warehousemen to increase all rates and charges, including those provided for storage, by five percent.

Applicants assert that their present warehouse rates and charges, as adjusted pursuant to Decision No. 66588, supra, have not been sufficient to provide revenues necessary to meet operating expenses and leave a reasonable profit. Furthermore, since the effective date of such upward adjustments in rates and charges, applicants claim that their costs for providing warehouse services have materially increased. Such increases in costs have assertedly been experienced in various expense items, including wages and salaries. According to the record herein, applicants will also experience further increases in wages and other payroll expenses as of July 1, 1965.

The tariff publishing agent testified that over 70 percent of the expense dollar of applicants is directly attributable to wages and payroll costs. Plant labor accounts for 49.8 percent of this wage and payroll expense and 20.9 percent is experienced for labor in the administrative and general expense category. In view of the rather substantial amount of the expense dollar being attributable to labor costs, the tariff agent concludes that any general wage increase has a significant effect upon the financial well being of applicants. He further stated that the sought interim adjustment of eight percent represents the minimum increase

necessary to maintain applicants at the "break-even point" during the period of time the industry will need to develop its case-in-chief in support of the sought general adjustments in their rates and charges.

The tariff agent further explained that since the major increase in expenses has been in labor, which is primarily expended in the performance of handling and other related accessorial services, it was determined to seek interim relief only in connection with the accessorial handling charges, in lieu of an across-the-board increase in all rates and charges including storage.

A notice, dated January 5, 1965, explaining the sought relief was sent to the customers of applicants. The tariff agent testified that he received two replies, only one of which was in the nature of a protest.

The various wage agreements entered into by applicants in 1964 (Exhibit No. 3) provide for certain increases in wage rates and so-called "fringe" benefits as of July 1, 1964, and 1965, respectively.^{3/} Final negotiations of the July 1, 1964 wage agreements, the record discloses, were not completed until October 1, 1964, subject to a retroactive effective date of July 1, 1964, with back payments due before November 15, 1964. The cumulative increases from July 1, 1963 to July 1, 1964, under the wage agreement to which applicants warehousemen were signatories,

^{3/} The July 1, 1965 wage adjustments are not included in the interim phase of the application. Such changes in wages and payroll expenses will, however, be offered in evidence at the adjourned hearings in this matter.

ranged from 3.35 percent and 7.47 percent for various categories of warehouse labor to amounts of 14.28 percent and 61.52 percent for vacation allowances and pension and welfare fund contributions by employers.^{4/}

The assistant director of the Division of Transportation Economics of the California Trucking Association presented exhibits in which were summarized studies he made of the financial results of operations of 17 of the applicants who, except for two minor exceptions, derive their public utility revenue almost exclusively under the aforementioned Tariffs 28-A and 29-A. It is the position of applicants that the utility warehouse operations of the 17 selected warehousemen are representative of the warehouse operations of applicants as a group. According to the record, these selected warehousemen accounted for 88.48 percent of the total revenues received by all applicants for public utility warehouse operations rendered under all tariffs involved in this proceeding and provide 85.63 percent of all the public utility warehouse space involved. Fifteen of the warehouse operations selected to be studied were also used and accepted by the Commission in prior proceedings wherein applicants were seeking similar increases in rates and charges.^{5/}

The alleged need for additional revenues is predicated upon the financial results of the utility warehouse operations of the aforementioned 17 applicants for the calendar year ending

^{4/} The majority of the warehousemen were parties to the general warehouse union agreement. Applicants whose operations are predominately truck transportation are parties to teamster contracts, and those who are primarily engaged in household goods moving and storage are parties to teamster van and storage agreements governing the movement and storage of used household goods.

^{5/} Signal Trucking was eliminated because it no longer is conducting utility warehouse operations. The M & M Transfer Company and Redway Truck and Warehouse Company were added in the instant proceeding.

December 31, 1963. Assertedly, this fiscal period was selected as the base rate year for several reasons. First, since it is the common practice of applicants to maintain their financial accounts on a calendar year basis, the recorded financial results of operations for the year ending 1963 provided the latest available data. Second, applicants were still in the process of closing their books for the year ending 1964. Third, it is explained that a seasonable filing could not have been made prior to October 1, 1964, the date when the July 1, 1964 wage agreements were finalized. Fourth, prior attempts to use partial fiscal periods, with projections based on fragmentary information, have proven to be unsatisfactory. Fifth, the operating experiences of applicants for 1964 are not expected to be substantially different than the 1963 results of operations.

In Table I which follows are shown the revenues, expenses, net operating income and operating ratios, before state and federal income taxes, of the aforementioned 17 applicants for the rate year ending December 31, 1963, as developed by the assistant director.

TABLE I

Results of Utility Operations for 17 Warehousemen for 12-month period ending December 31, 1963

<u>Warehousemen</u>	<u>Revenues</u>	<u>Expenses</u>	<u>Net Before Taxes</u>	<u>Operating Ratios Percent</u>
California Warehouse	\$ 286,809	\$ 305,217	\$ (18,404)	106.4
Central Terminal	72,877	78,187	(5,103)	107.3
H. G. Chaffee	90,319	74,980	15,339	83.0
Citizens	63,795	62,019	1,776	97.2
Consolidated	38,179	44,549	(6,370)	116.7
Davies	192,052	203,504	(11,452)	106.0
Interamerican	311,495	306,263	5,232	98.3
Jennings-Nibley	116,216	163,304	(47,088)	140.5
L. A. Transport	168,245	184,764	(16,519)	109.8
M & M Transfer	109,611	95,565	14,046	87.2
Metropolitan	801,972	727,437	74,535	90.7
Overland	594,621	592,523	2,098	99.6
Pacific Coast	855,406	940,099	(84,693)	109.9
Pacific Terminal	191,872	210,592	(18,720)	109.6
Redway Truck	171,556	168,668	2,888	98.3
Star Truck	457,357	464,707	(7,350)	101.6
Union Terminal	791,558	883,727	(92,169)	111.6
Total	<u>\$5,313,940</u>	<u>\$5,506,105</u>	<u>\$(192,165)</u>	<u>103.6</u>

() Red figure

In the development of the operating revenues and expenses, as summarized in Table I, the assistant director stated that, in all but a few instances, he accepted as reasonable for rate making purposes the recorded book figures of applicants, including the separations and allocations of revenues and expenses as between public utility warehouse operations, on the one hand, and other business activities of applicants, on the other hand. The witness stated that he employed essentially the same methods used by applicants in prior rate proceedings and included only those results of operations for which charges are provided in the tariffs involved herein.

An estimate of the results of future operating experiences of the 17 warehousemen listed in Table I, under a continuation of present rates and under the proposed eight percent increase, was also developed by the assistant director. This projection was predicated upon the 1963 results of operations adjusted, on an annual basis, to reflect: (1) the five percent increase in revenues authorized pursuant to Decision No. 66588, supra; (2) the proposed eight percent increase in the accessorial handling and all other revenues except storage; and (3) the various increases in wages and payroll expenses which became effective on July 1, 1963 and July 1, 1964, respectively. The anticipated results of operations are summarized in Table II below:

TABLE II

Comparison of Estimated Operating Results Under Present and Proposed Rates for the Rate Year

<u>Warehousemen</u>	<u>Modified</u>		<u>Operating Ratios %</u>	
	<u>Revenues</u>	<u>Expenses</u>	<u>Present Rates</u>	<u>Proposed Rates</u>
			<u>(After Income Taxes)</u>	
California Warehouse	A-\$ 301,149			
	B- 315,458	C-\$ 321,045	106.4	101.8
Central Terminal	A- 76,521			
	B- 80,110	C- 80,566	105.4	101.7
H. G. Chaffee	A- 94,835			
	B- 99,006	C- 78,278	87.1	84.6
Citizens	A- 66,985			
	B- 70,031	C- 64,154	96.9	93.8
Consolidated	A- 40,088			
	B- 41,455	C- 45,916	114.8	111.0
Davies	A- 201,655			
	B- 212,171	C- 213,014	105.7	100.4
Interamerican	A- 327,070			
	B- 339,622	C- 314,223	97.1	94.4
Jennings-Nibley	A- 122,027			
	B- 126,861	C- 166,322	136.4	131.2
L.A. Transport	A- 176,657			
	B- 187,330	C- 193,309	109.5	103.2
M & M Transfer	A- 115,092			
	B- 119,966	C- 98,598	89.4	86.9
Metropolitan	A- 842,071			
	B- 885,587	C- 761,644	94.7	92.6
Overland	A- 624,352			
	B- 652,522	C- 633,303	101.4	97.8
Pacific Coast	A- 898,176			
	B- 940,673	C- 978,181	108.9	104.0
Pacific Commercial	A- 201,466			
	B- 211,934	C- 224,869	111.7	106.2
Redway Truck	A- 180,134			
	B- 187,495	C- 173,118	97.1	94.4
Star Truck	A- 480,225			
	B- 506,969	C- 494,161	102.9	98.1
Union Terminal	A- 831,136			
	B- 874,629	C- 927,562	111.6	106.1
Total	A-\$5,579,639			
	B-\$5,851,819	C-\$5,768,263	104.3	100.1

A-Estimated Revenues under present rates. B-Estimated Revenues under proposed 8% interim increase. C-Estimated Expenses for projected rate year. Expenses are not adjusted to reflect ownership cost in lieu of rents.

It will be noted from Table II that, under the sought eight percent increase, the anticipated overall financial results of operations are expected to be at the "break-even point" pending completion of the record in this matter.

In addition to the major study involving the aforementioned so-called 17 representative warehousemen, applicants presented in evidence the estimated results of operations of all but four of the remaining 22 applicants.^{6/} Many of the warehousemen in this latter group performed only a small amount of utility service during the rate year. Assertedly, the utility operations of certain of this latter group of applicants were either dwarfed by larger affiliated business activities or the reported results of operations were so commingled with other business ventures as to make any meaningful evaluations as to their utility services vague and generally inconclusive. On an overall basis, however, the estimated operating ratio, after state and federal income taxes, for this latter group of applicants, based on current expense levels, is estimated to be 93.8 percent under the proposed eight percent increase. This is a more favorable showing than anticipated for the selected test group of applicants.

The assistant director also developed, on behalf of applicants, estimated rates of return on capital investment under the present and proposed eight percent interim increase in rates. Applicants urge that little weight be given to any conclusions which may be drawn from the employment of such rates of return.

^{6/} No utility warehouse operations were conducted under Tariffs Nos. 28-A and 29-A in 1963 by: (1) Allied Warehouse Company; (2) Columbia Van Lines, Inc. of California; (3) Veltman Warehouse Co.; and (4) Dart Public Warehouse, Inc.

Cross-examination by the Commission staff thoroughly probed the basis for applicants' sought interim relief. With respect to the 17 applicants selected as representative of the utility warehouse operations in the Los Angeles Metropolitan Area, the record shows that these warehousemen were chosen primarily because their results of operations were previously accepted by the Commission as representative in prior applications for increases in rates. Very little, if any, current evaluation appears to have been made by applicants to determine whether the selected warehouse operations still reflect the revenues and expenses which would be necessarily incurred by reasonably efficient utility warehousemen. The record also discloses that certain of the 17 so-called typical warehouse operations continually report substantial unfavorable operating results with no apparent hope for future improvement. In addition, some of the applicants expressed a reluctance to furnish any critical information which may tend to disclose the operating results of affiliated business activities.

Staff cross-examination also explored in considerable depth the methodology employed by applicants for segregating and allocating costs as between utility warehouse operations, on the one hand, and other business activities of applicants, on the other hand. In the main, the accounting procedures used by individual warehousemen were accepted by applicants as appropriate for establishing a need for the sought interim relief. According to the record, several of the 17 selected warehousemen have affiliated business enterprises, such as trucking operations, from which revenues are derived far in excess of those experienced under the related utility warehouse operations. Joint costs in many of these latter instances appear to be heavily allocated to the smaller warehouse operations without any apparent reason or justification.

It is the position of the staff that the presentation of applicants in this proceeding does not establish a need for emergency interim relief in that they have assertedly failed to prove on the record that applicants are in an emergency financial condition as that term is generally used by the Commission.

Discussion, Findings and Conclusions

It is evident, on the basis of the record to date, that applicants' sampling of the results of utility warehouse operations in the Los Angeles Metropolitan Area should be re-evaluated. It should be clearly established that any warehouseman, ultimately selected to represent the warehouse industry herein, should reflect current operating revenues and expenses which would be necessarily incurred by reasonably efficient utility warehousemen. Applicants' contemplated "thorough-going study," to be presented in evidence at future hearings in this matter, should include the aforesaid confirmation of its sampling procedures and sources of information.

We are also convinced that applicants have not analyzed the accounting practices of the selected so-called representative warehousemen with sufficient particularity to insure that certain segregations and allocations of joint operating costs and related expenses are not overstated in so far as the utility operations are concerned. Here again, the contemplated "thorough-going study" of applicants should resolve this latter area of uncertainty.

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- 7/ City of Los Angeles, (56 Cal.P.U.C. 133-138)
Pacific Water Co., (56 Cal.P.U.C. 137)
Pacific Lighting Gas Supply Co., (57 Cal.P.U.C. 460-466)
Dylse Water Company, (56, Cal.P.U.C. 105-106)
Coast Counties Gas Co., (50 Cal.P.U.C. 580)
Southern Counties Gas Co., (55 Cal.P.U.C. 589)
Citizens Utility Co., (55 Cal.P.U.C. 628)
San Diego Gas & Electric Co., (58 Cal.P.U.C. 686)
Adams, Schwab and Adams Warehouse Co., (58 Cal.P.U.C. 672)

Assertedly, the rates of return on investment developed by applicants were not intended to be used as an index for measuring, with any degree of finality, the reasonableness of the proposed interim increase in rates. Applicants were able to compute estimated rates of return for only 13 of the 17 warehousemen originally selected as representative of the entire group and, according to the record, a wide divergence exists in the rates of return thus developed.

The retention of substantial uniformity of rates among the warehousemen operating in the Los Angeles Metropolitan Area is strongly urged by applicants as an economic necessity. This principle of rate making and rate regulation which the Commission has recognized over the years in dealing with warehouse rates in the Los Angeles Area will not be disturbed here on the basis of a partial record.^{8/} However, applicants must realize that enjoyment of such uniform rate treatment, of necessity, requires all warehousemen directly involved to cooperate fully in the submission of factual data relative to their results of operations.

In response to the staff's contention that applicants have failed to establish a prima facie case for emergency interim relief, counsel for applicants explained that the instant phase of the application is "interim in the sense that applicants are seeking ... a more comprehensive adjustment of their rates and charges, which will be presented as time permits the applicants to conduct a thorough-going study of these adjustments. ..."

^{8/} In Decision No. 66588, supra, pages 181-2, the Commission stated in part as follows: "Decision No. 63517, supra, and earlier decisions, as well as the record established herein, point out that substantial uniformity of rates among warehousemen operating in the Los Angeles area is a business necessity. This requirement is dictated by the force of competition prevailing.... Obviously, under a uniform rate structure some warehousemen will ... fare better than others. Bearing these facts in mind, it is apparent that some upward adjustment in applicants' rates, to offset increased labor costs, is justified."

"It is not interim in the sense that it differs from the application of the same parties ... in Application No. 45521 and preceding or previous applications of the same group." (RT-123.) As previously noted herein, between October 1, 1964 and July 1, 1965, applicants will have been confronted with two wage settlements. In view of the relatively short interval of time between such wage adjustments, it was determined by applicants that consolidating both matters in a single application would be the most efficient and economical procedure to follow. In the sense that the initial phase of the application is interim and presents an emergency, applicant states "the situation is no different than that which has applied in prior applications ... of the same nature." (RT-124.) In this connection, Decision No. 66588 in Application No. 45521 states in part as follows:

"The purpose of the sought increase, the record shows, is simply to enable applicants to recover, in increased revenues, the approximate amounts by which their operating expenses have increased by reason of the above-mentioned upward adjustments in labor costs."

Applicants' exhibits in the instant proceeding are, for all practical purposes, the same as those introduced in evidence in Application No. 45521, brought forward to reflect current increases in wages and payroll expenses. It is obvious, therefore, that the term "emergency interim increase" in the subject application is a misnomer. It is equally clear that the thrust of applicants' evidence falls far short of establishing a prima facie case for emergency interim relief.

If, as urged by applicants, the interim phase of this proceeding is to be considered in the same manner as Application No. 45521, their projected operating results of record should reflect only the amount of additional revenue required to recover increases in wages and payroll expenses which have occurred since the Commission's Decision No. 66588, supra, and attributable solely to handling and other accessorial services except storage. According to the record, applicants estimate that the 17 selected warehousemen will realize \$272,180 in additional operating revenues, under the sought eight percent interim increase, for the projected year. The evidence of record indicates, however, that the corresponding increase in labor costs for the same period would amount to only \$195,038, including the increase in labor costs attributable to utility storage services. In addition, the so-called 17 typical warehousemen will assertedly obtain \$265,699 in increased revenues during the rate year from the five percent increase in charges previously authorized by Decision No. 66588, which amount, the record indicates, includes \$162,012 earned from handling and related services other than storage. From the evidence, however, it appears that the corresponding increase in labor costs for the same projected period would amount to approximately \$140,000, including labor costs expended for storage services.

While there are no specific criteria of record for allocating that amount of labor costs directly chargeable to storage operations, applicants state that well over 70 percent of their expense dollar is attributable to wages and payroll costs and that the major portion of such labor costs are in accessorial handling services. In this connection, it is noted that the handling wages in Application No. 45521 and the instant proceeding amounted to

approximately 92 and 94 percent, respectively, of the total wages for storage and handling services. Taking into account the aforementioned percentage factors, it appears that applicants have and are now experiencing upward adjustments in their labor costs, in the amount of approximately \$150,000, which have not been previously considered nor actually realized from prior authorized increases in rates or charges for handling and related services other than storage. On the basis of the evidence now before the Commission, an interim increase of four percent in the handling and other revenues except storage would enable applicants to recover, in increased revenues, the approximate amount of the aforesaid upward adjustment in their labor costs.

Upon careful consideration of the evidence, we find that:

1. Based upon the partial evidence to date, a finding that the financial condition of applicants is such as to warrant emergency interim relief is not justified.

2. In order to complete the partial evidence to date, it will be necessary for applicants to submit, as part of their contemplated comprehensive studies, information which will clearly establish that:

(a) The utility warehouse operations selected to represent applicants as a group reflect operating revenues and expenses which would be necessarily incurred by reasonably efficient utility warehouse operations.

(b) The segregation and allocation procedures ultimately adopted for projection of financial results of operation are suitable and proper for rate making purposes.

3. The evidence represents, in the main, an updating of prior financial studies presented by applicants in Application No. 45521.

4. The purpose of the sought interim increase in the instant proceeding, as in Application No. 45521, is for the sole purpose of enabling applicants to recover, in increased revenues, the approximate amounts by which their operating expenses have increased by reason of upward adjustments in labor costs.

5. While applicants have demonstrated a need for additional revenues, the granting of rate relief to the full extent herein sought does not appear to be justified nor reasonable.

6. In the light of the evidence now before us, an interim increase of four percent in all rates and charges, except those provided for storage, in the aforementioned tariffs has been shown to be just and reasonable.

Based upon the foregoing findings of fact, we conclude that the application should be granted to the extent set forth in the ensuing order.

In view of the fact that the upward adjustments in applicants' labor costs have been in effect for a period of several months, the effective date of the order which follows will be ten days after the date hereof, and applicants will be permitted to establish the increased rates and charges on not less than ten days' notice to the Commission and to the public.

INTERIM ORDER

IT IS ORDERED that:

1. Pending further order of the Commission, applicants are authorized to increase all rates and charges, except those provided

for storage, as set forth in the tariffs named in Application No. 47175, as amended, by four percent. The increased rates and charges authorized may be established by the publication of a surcharge rule with disposition of resulting fractions as set forth in Exhibit 2 in this proceeding. 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 is subject to the express condition that applicants will never urge before the 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.

3. 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 ten days after the date hereof.

Dated at San Francisco, California, this 27th day of April, 1965.

Franklin B. Hallock
President
George H. Trover

William W. Beards
Commissioners