

Decision No. 69091**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 Bay Cities Warehouse Company, Inc.;)
 Beckman Express & Warehouse Co.;)
 Bekins Warehousing Corp.; Bentley)
 Moving & Storage Co.; Louis A. Dore,)
 Jr., and Olive J. D. Wilhelm, dba)
 Blankenship Warehouse Co.; Ben)
 Cassinerio, dba Central Warehouse)
 Drayage Co.; Chichester Transporta-)
 tion Company, Inc.; Consolidated)
 De Pue Corporation; Edgar and)
 Correnah De Pue Osgood, dba De Pue)
 Warehouse Company of San Francisco;)
 Dillon Drayage & Warehouse Co.,)
 Inc.; Chester and George Cassella)
 and Elmo Cresta, dba Distributors)
 Warehouse; Bradford G., Harold F.)
 and Morton G. Baruh, dba East Bay)
 Storage Co.; Emery Warehouse, Com-)
 pany; Encinal Terminals; Charles)
 Lee Tilden, Jr., and Irving S.)
 Culver, dba Gibraltar Warehouses;)
 Haslett Warehouse Company; Lyon Van)
 & Storage Co.; John J. and Dolores M.)
 McInerney, dba G. Marcantelli Co.;)
 John V. Fox, Jr., George F. Fox and)
 Joseph T. Fox, dba John McCarthy &)
 Son; Richmond Transfer and Storage)
 Company; Robertson Drayage Co.,)
 Inc.; San Francisco Warehouse Co.;)
 Signal Trucking Service, Ltd.;)
 State Terminal Co., Ltd.; Thompson)
 Bros., Inc., dba The Dodd Warehouses,)
 North Point Dock Warehouses and)
 Thompson Bros., Inc.; United Cali-)
 fornia Express & Storage Co., dba)
 U. C. Express & Storage Company; and)
 Walton Drayage & Warehouse Co., Inc.,)
 for an increase in rates.)

Application No. 47107
 Filed November 12, 1964

Jack L. Dawson, for applicants.
Joe Cazessus, for Gibraltar Warehouses and George V.
Cooley, for Encinal Terminals, applicants.
H. G. Scheibe, John F. Specht and Charles J. Astrue,
 for the Commission staff.

O P I N I O N

By this application Bay Cities Warehouse Company, Inc., and 26 other public utility warehousemen seek authority to increase, on ten days' notice to the Commission and to the public, their minimum storage and handling charges and the charges for special labor and clerical services. Such charges are currently set forth in Rules 60 and 125, respectively, of California Warehouse Tariff Bureau, Warehouse Tariff No. 41, Cal. P.U.C. No. 212 of Jack L. Dawson, Agent.¹ The utility warehouse services involved concern the storage of general commodities at warehouses located in the San Francisco-East Bay Metropolitan Area.

A public hearing in this matter was held before Examiner Gagnon at San Francisco on January 28, and 29, 1965, on which latter date the matter was submitted. Evidence was presented by applicants' tariff agent and several of their officers. Members of the Commission staff assisted in the development of the record. No one appeared in opposition to the granting of the sought authority and applicants state that they received no protests in response to their notice to storers, mailed on or before January 15, 1965, announcing the filing of Application No. 47107.

¹ Except as otherwise specifically provided, California Warehouse Tariff Bureau, Warehouse Tariff No. 42, Cal. P.U.C. No. 213 of Jack L. Dawson, Agent, is governed by the rules named in Warehouse Tariff No. 41.

The specific increases sought by applicants in the warehouse charges named in the aforementioned tariff are as follows:

Tariff
Rule No.

- 60 Minimum Storage and Handling Charges
- (A) Increase the minimum storage charge per lot from 50 to 75 cents.
- (B) Increase the minimum handling lot charge from \$1 to \$1.50.
- 125 Special Labor and Clerical Services
- (A) Increase the charge of \$5.50 per man per hour for straight time to \$6.50.
- (B) Increase the charge of \$8.25 per man per hour for overtime to \$9.75.

Applicants estimate that the proposed adjustments in their minimum charges and special labor rates will produce an additional 3.25 percent increase in revenue, or \$160,085.81, derived as follows:

<u>Tariff Rule</u>	<u>Additional Revenue</u>	<u>Percent Increase</u>
Rule 60, Minimum Storage Charge	\$ 57,630.89	1.17%
Rule 60, Minimum Handling Charge	35,218.88	.72
Rule 120, Special Labor Rate	67,236.04	1.36
Total	<u>160,085.81</u>	<u>3.25</u>

Minimum Storage and Handling Charges

The minimum storage and handling charges of applicants were last adjusted, effective February 10, 1964, by Decision No. 66689, dated January 21, 1964, in Application No. 45606 (62 Cal. P.U.C. 225). Authority to publish the proposed minimum storage and handling charges of 75 cents per lot and \$1.50 per lot, respectively, was originally requested in the aforementioned Application No. 45606.

The Commission, however, authorized applicants to increase their minimum storage charge from 33 cents to 50 cents per lot and their minimum handling charge from 66 cents to \$1 per lot.²

In further justification of the proposed minimum charges, applicants state that, subsequent to the Commission's Decision No. 66689, they have experienced additional increases in their labor costs. In connection with the minimum storage charge per lot, three warehouse officers developed estimated costs of storing a minimum lot for one month, based upon the assumption that a single pallet load represented a minimum storage lot. These estimates reflect the costs of operating the storage departments in certain warehouses divided by the number of pallet spaces available in these warehouses. For the storage of single pallets one high, a cost of \$1.99 per pallet per month was developed. For the storage of single pallet lots in rack, storage costs of 94 cents per pallet per month and \$1.51 per pallet per month, respectively, were developed. The witnesses related the foregoing costs to the sought minimum storage charge of 75 cents per lot.

Warehouse officials also developed, on behalf of applicants, estimated costs for handling minimum storage lots. In one case the cost of labor attributable to in-handling was divided by the number of inbound pallet trips and the result doubled to cover handling outbound lots. In another instance, the cost for handling a line item was developed on the basis of total warehouse labor time for moving a single pallet lot in and out of warehouse

² In Decision No. 66689 the Commission, while according recognition to applicants' cost data of record, in authorizing lower minimum storage and handling charges than requested stated, in part, as follows: "Applicants' program to raise their specific charges to levels approaching fully distributed costs ... may be generally desirable; however, other factors besides costs, including the impact on storers of abrupt increases of the magnitude sought ... must be considered."

multiplied by the sought special labor charge of \$6.50 per hour. To this cost was added an increment for clerical costs based on the total cost of the clerical department divided by the number of line items outbound. Costs of \$1.65 and \$2.53 were developed, respectively, in comparison with the sought minimum handling charge of \$1.50 per lot.

Applicants state storers can readily avoid assessment of the sought minimum storage charge of 75 cents per lot by merely tendering commodities for storage in lots of not less than three fourths of a pallet load. Similarly, the proposed minimum handling charge of \$1.50 per lot can be avoided by storers who tender their commodities for storage in lots of not less than one half a pallet load. It is the position of applicants, therefore, that the proposed minimum charges are quite conservative when considering the minimum amount of commodity required to nullify the application of the sought minimum charges.

Several warehouse officers testified that they are experiencing a consistent upward trend in small lot storage, which is apparently due to the storers' current efforts to maintain their inventories at a minimum level. Any upward trend in small lot storage would, of course, have the effect of increasing the unit cost of storage as well as increase the application of otherwise dormant minimum storage and handling charges.

Special Labor and Clerical Services

The special labor rate of \$5.50 per man per hour has been in effect since January 18, 1963. Applicants state that wage rates and related payroll expenses have materially increased since the existing straight-time special labor rate was established. In Exhibit "F" of the application a study is presented showing the

overall labor cost per man per hour for seven of applicants warehouse operations. A summary of that study is as follows:

TABLE I

Summary of the Present Overall Labor Cost Per Man Per Hour for Selected Warehouse Operations of Applicants

<u>Warehousemen</u>	<u>Average Cost Per Hour (Not Including Supervision and Overhead)</u>
Central Warehouse & Drayage Co.	\$4.19
De Pue Warehouse of San Francisco	4.29
Encinal Terminals	4.24
Gibraltar Warehouses	4.32
Haslett Warehouse Company	4.28
San Francisco Warehouse Co.	4.19
Thompson Bros., Inc.	<u>4.21</u>
Average Hourly Cost Under Present Wage Rates	4.24
Expansion for Supervision (7%) and Overhead (43.4%)	6.51
Wage Increases Effective 6-1-65: 9 cents per hour, expanded for hours worked and compensation insurance to 11 cents per hour.	
Average Hourly Cost Effective 6-1-65	4.35
Expanded for Supervision (7%) and Overhead (43.4%)	6.67

It will be observed from Table I that effective June 1, 1965, applicants anticipate their special labor cost will increase to \$6.67 for each man hour worked, which is compared with the proposed man hour rate of \$6.50. Applicants take the position, therefore, that the proposed special labor rate will merely return their approximate cost, with no provision for profit. While applicants contend that they are not seeking profits from special labor services accorded their customers, they feel that their full cost should be realized rather than to have deficits absorbed out of their general rate levels, and thereby discriminate against accounts which do not request special labor service.

The results of operations for each of the applicants for the year 1963 are set forth in Exhibit "C" of the application. These figures were prepared by the tariff agent and are predicated upon data furnished by applicants. According to the tariff agent, they reflect only the public utility warehouse service involved herein. The rate year thus developed by the tariff agent was then projected to show results of operations under (1) the present rates and expenses revised to reflect current cost experiences, and (2) the proposed rates and revised expenses. A summary of the tariff agent's computations is set forth in the following table.

TABLE II

Summary of Applicants' Estimated Results of Operations under Present and Proposed Charges and Revised Expenses Based on June 1, 1964 Wage Rates for the Rate Year(1)

<u>Item</u>	<u>Basic Rate Year 1963(2)</u>	<u>Projection of Rate Year</u>	
		<u>Present Rates(3) Revised Expenses</u>	<u>Proposed Rates Revised Expenses</u>
Revenues	\$4,028,107	\$4,552,984	\$4,700,088
Expenses after Taxes	4,150,077	4,364,014	4,405,095
Net Operating Income	(121,970)	188,970	294,993
Operating Ratio	103.0%	95.8%	93.7%

(Red Figure)

- (1) Data for Gibraltar Warehouse excluded due to substantial disruption of operations by a warehouse fire.
- (2) Prior to the rate increases authorized by Decision No. 66689.
- (3) Subsequent to rate increases authorized by Decision No. 66689.

Under the present level of rates and revised expenses, including wage rates in effect as of June 1, 1964, applicants estimate that their operating ratio for the projected rate year would be 95.8 percent, which is compared to the projected operating ratio of 94.4 percent as proposed in Application No. 45606 and the

suggested operating ratio of 93.7 percent in the instant proceeding. It should also be noted here that the revised expense figures shown in Table II do not include the 9 cents per hour increase in wage rates which will become effective on June 1, 1965.

The utility storage of merchandise by applicants is limited by the amount of warehouse space dedicated to perform this service. In order to realize the lowest possible cost per cubic foot of storage space occupied it is, among other things, essential that maximum and efficient use be made of all available utility storage space. The cost of any unused or wasted storage space, of necessity, must be reflected in the unit cost developed for occupied storage space if applicants are to realize their total cost of operations plus a reasonable profit.

In view of the asserted upward trend of small lot storage and the correlative unoccupied utility storage space, realistic minimum storage and handling per lot charges are necessary in order to insure that the small lot storers bear their fair share of the cost burden. The proposed increases in the minimum storage and handling per lot charges involved herein represent an effort by applicants to attain the aforementioned objective within reasonable limits.

With respect to the proposed increases in the tariff charges for special labor and clerical service, applicants are assertedly endeavoring to recover the full costs expended for such special services rather than reflect any portion thereof in their general rate level. According to the record, the proposed special labor charge of \$6.50 is predicated upon the average hourly cost per employee of \$4.35, effective June 1, 1965, expanded 7 percent for supervision and 43.4 percent for overhead. The tariff agent

testified that the factor for overhead is predicated upon the information set forth in Exhibit 1 of record. The exhibit indicates the percentage relationship between various expense categories of the total revised operating expenses (\$4,346,670.47) experienced by those applicants having revenues over \$80,000. No similar basis was developed by applicants in justification of the aforementioned 7 percent expansion factor for supervision nor is there any evidence which would indicate that the total adjusted operating expense figure referred to above, which is derived from Exhibits "C" and "D" attached to the application, is not all inclusive. Therefore, effective with the June 1, 1965 upward adjustments in wage rates, increases in the tariff charges of applicants for special labor and clerical services not exceeding \$6.24 per man per hour for straight time and \$9.36 per man per hour for overtime appear justified on the evidence of record.

The Commission finds that:

1. The increases proposed in the minimum storage and handling charges of applicants have been shown to be justified.
2. The increases in the charges for special labor and clerical services to \$6.24 per man per hour for straight time and \$9.36 per man per hour for overtime have been justified; increases in excess of these charges have not been shown to be justified.

In view of the fact that the level of charges found to be justified herein reflects upward adjustments in wage rates which will not become effective until June 1, 1965, applicants' request to adjust their tariff charges on less than statutory notice does not appear to be necessary and, therefore, will not be granted.

The Commission concludes that this application should be granted to the extent set forth in the ensuing order.

ORDER

IT IS ORDERED that:

1. Applicants are authorized to establish the increased charges proposed in Application No. 47107 except that the charges for special labor and clerical services shall not be increased in excess of \$6.24 per man hour for straight time and \$9.36 per man hour for overtime. Tariff publications authorized to be made as a result of the order herein may be made effective not earlier than thirty days after the effective date hereof on not less than thirty 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 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} ~~as~~ consent to this condition. *W.C.*

3. The authority herein granted shall expire unless exercised within ninety days after the effective date of this order.

4. Except as hereinabove granted, Application No. 47107 is denied.

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

Dated at Los Angeles, California, this 18th day of May, 1965.

Frederick B. Helmluff
President
George H. Throver
Commissioner
W. GATBY
present but not voting.

Commissioners William M. Bennett, being necessarily absent, did not participate in the disposition of this proceeding.