

Decision No. 72996**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.; CENTRAL WAREHOUSE  
 & DRAYAGE CO., INC.; CHICHESTER TRANS-  
 PORTATION 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;  
 ENCINAL TERMINALS; Charles Lee Tilden,  
 Jr. and Irving S. Culver, dba GIBRALTAR  
 WAREHOUSES; HASLETT COMPANY; INTERLINES-  
 BLANKENSHIP WAREHOUSE CO.; LYON VAN &  
 STORAGE CO.; MARCANTELLI WAREHOUSE CO.,  
 INC.; John F. Fox, Jr., George F. Fox and  
 Joseph T. Fox, dba JOHN MCCARTHY & SON;  
 PASHA WAREHOUSES, INC.; RICHMOND TRANSFER  
 AND STORAGE COMPANY; ROBERTSON DRAYAGE  
 CO., INC.; SAN FRANCISCO WAREHOUSE CO.;  
 STATE TERMINAL CO., LTD.; THOMPSON BROS.,  
 INC., dba The Dodd Warehouses, North  
 Point Dock Warehouses and Thompson Bros.,  
 Inc.; United California Express & Storage  
 Co., dba U. C. EXPRESS & STORAGE COMPANY;  
 and WALTON DRAYAGE & WAREHOUSE CO., INC.;  
 for an increase in rates.

Application No. 49526  
 (Filed July 6, 1967)

Jack L. Dawson, for applicants.  
Forrest C. Barriger, for Mars West (Division of  
 Mars, Inc), protestant.  
George E. Sloat, for Walkup's Merchants Express;  
 and J. L. Mason, for R. J. Reynolds Tobacco  
 Co., interested parties.  
John R. Laurie, Donald R. Chew and Milton J.  
DeBarr, Jr., for the Commission staff.

INTERIM OPINION

By this application twenty-seven public utility ware-  
 housemen seek authority to increase, on five days' notice to the  
 Commission and to the public, their tariff rates and charges for  
 storage, handling and other accessorial services. The established

rates and charges are published in California Warehouse Tariff Bureau Warehouse Tariffs Nos. 41 and 42, Cal. P.U.C. Nos. 212 and 213, respectively, of Jack L. Dawson, Agent. The public utility warehouse operations of applicants are for the dry storage of general commodities at warehouses located in the San Francisco-East Bay Metropolitan area.

Public hearings in this matter were held before Examiner Gagnon at San Francisco on July 19 and 20, 1967. Evidence was presented by the tariff agent for applicants and several of their officers. Members of the Commission staff assisted in the development of the record. All storers were notified as to the proposed increase. One storer appeared and offered testimony in opposition to the sought relief. The matter was continued to a date to be subsequently determined in order to afford the staff an opportunity to complete its studies of the utility warehouse operations involved.

The specific upward adjustments in rates and charges proposed by applicants are as follows:

1. Increase all storage rates and charges by 12-1/2 percent.
2. Increase all handling rates by 6-1/4 percent.
3. Increase all rates and charges contained in certain tariff rules and accessorial service provisions by specific amounts.
4. Cancel designated "dead" tariff items.

The tariff agent contends that because of the insufficiency of the present rates and charges, under which applicants are performing utility warehouse services, an immediate increase in revenues is urgently needed. The tariff agent explained that, while he believes the evidence submitted in support of Application No. 49526 fully justifies the total sought increase,

applicants have no objection to the prompt receipt of partial interim relief pending completion of staff studies. Applicants contend that such interim relief should include all of the increases proposed in the application except in connection with storage rates and charges for which an interim increase of 6-1/4 percent is requested, in lieu of the 12-1/2 percent increase originally proposed. The Commission staff concurs in the request for interim relief. The staff urges, however, that no interim increase be authorized in the storage rates and charges pending completion of their studies of the utility warehouse operations involved.

By Decision No. 69091, dated May 18, 1965, in Application No. 47107, applicants were authorized increases in their special hourly labor charges and minimum storage and handling lot charges. Such increased charges became effective July 7, 1965. The latest general adjustment in rates and charges was made effective February 10, 1964, pursuant to Decision No. 66689, dated January 21, 1964, in Application No. 45606 (62 Cal. P.U.C. 225). Since the present rates became effective, applicants have experienced increases in wage rates, health and welfare contributions and other allied payroll expenses. The cost of materials, supplies and services required to operate the utility warehouse activities of applicants has also increased significantly. The warehousemen have just recently experienced a prolonged strike in connection with labor negotiations. The labor contract resulting from such labor negotiations increased wages and so-called employee fringe benefits as follows:

<u>Effective Dates</u>		<u>Hourly Wage</u>
<u>From</u>	<u>To</u>	<u>Increase</u>
June 1, 1967	- June 1, 1968	20 cents per hour
June 1, 1968	- June 1, 1969	25 cents per hour
June 1, 1969	- June 1, 1970	20 cents per hour
Additional fringe benefits		(1) 5-1/2 cents per hour

(1) Effective June 1, 1967.

Note: Effective June 1, 1965, applicants also experienced a 9 cents per hour increase in wages (11 cents per hour when expanded for hours worked and compensation insurance) under prior existing labor contracts which has not been reflected in the present rates.

The wage increases in effect as of June 1, 1967, in addition to increases effective June 1, 1966, have been used as a basis for the sought relief. The financial results of operations for each of the warehousemen were included in Exhibit D of the application for a test-year based upon the 1965-1966 utility warehouse operations. The financial statements were prepared by the tariff agent from data furnished by applicants. According to the tariff agent, his financial showing reflects only the results of the public utility warehouse phase of applicants' overall operations. He explained that adjustments, similar to those made in prior proceedings involving like rate changes, have been made in certain of the accounting figures for depreciation and substitution of landlord costs for rentals paid. In the aggregate, applicants experienced an operating ratio of 97.4 percent, after income taxes, for the test year. For a projected rate year the tariff agent's calculations show that applicants will experience operating ratios of 104 percent and 94.4 percent, after income taxes, under the present and proposed rates and charges, respectively, and operating expenses revised to reflect current conditions.

The results of the utility warehouse activities of nine applicants having annual revenues over \$80,000 were also separately developed in Exhibits E and F of the application. The tariff agent explained that such applicants represented 92 percent of the total revenues and 92.8 percent of the total expenses of all utility warehousemen involved. The operating results of such applicants' utility warehouse activities are as follows:

Table 1

Summary Statement Covering Results of Public Utility  
Warehouse Operations of Applicants Having Annual  
Revenues Over \$80,000 for 12-Month Period Ending,  
Except as Otherwise Indicated, May 31, 1966

<u>Warehousemen</u>	<u>Revenues</u>	<u>*Expenses</u>	<u>Operating Ratio</u>
Bay Cities (1)	\$ 119,798	\$ 119,210	99.5%
Central (2)	297,930	275,349	92.4
De Pue - SF	855,302	843,808	98.7
Encinal (3)	452,563	420,331	92.9
Gibraltar	496,467	472,365	95.1
Haslett	987,837	960,502	97.2
San Francisco	887,273	926,635	104.4
Thompson	400,537	392,831	98.1
Walton	111,487	107,153	96.1
<b>Total</b>	<b>\$4,609,194</b>	<b>\$4,518,184</b>	<b>98.0%</b>

\* Including Income Taxes.

(1) 12-month period ending December 31, 1966.

(2) 12-month period ending June 30, 1966.

(3) 12-month period ending February 28, 1966.

Results of operations for a projected rate year were also developed in Exhibit E of the application under (1) present rates and expenses revised to reflect current conditions and (2) under

the proposed rates and revised expenses. The totals of these figures for the nine warehousemen listed in Table 1 are shown in Table 2 below:

Table 2

Estimated Results of Operations of Applicants Having Annual Revenues Over \$30,000 for a Projected Rate Year Under Present and Proposed Rates and Revised Expenses

	Under Present Rates and Revised Expenses	Under Proposed Rates and Revised Expenses
Revenues	\$4,609,194	\$5,244,811
Expenses After Income Taxes	4,825,679	4,979,753
Net	(216,485)	265,058
Operating Ratio	104.7%	94.9%

Exhibit F of the application provides a detailed breakdown of the revised utility warehousing expenses for applicants having annual revenues over \$80,000. The exhibit indicates that total operating expenses for the projected rate year were adjusted to reflect increased costs of labor and taxes as follows:

Labor 1967	\$186,078
Labor 1966	168,320
Taxes	<u>6,822</u>
Total	\$361,220

The tariff agent testified that warehouse operations are extremely sensitive to labor wage adjustments. He submitted a study which, among other allocations, shows that labor costs account for 61.22 percent of applicants' operating expenses. For the purpose of developing storage, handling and related accessorial labor costs, hourly costs and performance studies were made to determine the appropriate allocations of labor to the various warehouse activities. As a result of such studies, specific

adjustments are proposed in rates and charges specified in various tariff rules and accessorial service provisions. In certain instances the sought increase in such rates and charges will not fully cover the allocated labor costs for performing the particular warehouse activity involved.

The tariff agent also made a study of the revenues produced under the present and proposed rates and charges for the month of June, 1966. The study reflects the operating experiences of six of the aforementioned nine utility warehousemen having annual revenues over \$80,000 (Table 1). The six warehousemen represent 81.5 percent of the total revenues of all twenty-seven applicants. It is claimed that the utility warehouse revenues for the month of June are representative of the average monthly revenues experienced by applicants throughout the year. The study indicates that applicants' revenues will be increased 13.65 percent under the proposed upward adjustment in rates and charges. It is estimated that the six warehousemen used in the study will obtain \$47,547 in additional revenues per month or a projected annual increase in revenues of \$570,570. Under the sought alternative interim relief applicants would obtain an estimated 11.11 percent increase in revenues which would reduce the anticipated annual increase in revenues for the six warehousemen to approximately \$464,303. The Commission staff, on the other hand, recommending that no interim increases be granted in storage rates and charges, would further reduce the projected additional annual revenues for the six applicants to \$358,035. According to the tariff agent's revenue study, the staff's recommended interim relief would increase applicants' revenues by 8.57 percent.

As previously shown herein, nine of the applicants having annual revenues of over \$80,000 will sustain an annual increase of \$361,220 in the cost of direct labor and taxes. The tariff agent testified that additional so-called employee fringe benefits will further increase the cost of labor to about \$381,000. Expansion of this latter calculation, so as to reflect all twenty-seven utility warehousemen involved, indicates that the total increase in labor and allied payroll expenses will amount to approximately \$409,677. A similar projection of the interim increase in revenues of \$358,035, as recommended by the staff relative to the six warehousemen involved in the tariff agent's revenue study, would produce total additional revenues of \$436,628 for all applicants. Expanding the estimated \$464,303 in additional revenues anticipated, under applicants' alternative proposed interim increase of 11.11 percent, for the six utility warehousemen involved in the tariff agent's revenue study, so as to represent all applicants, indicates that a total interim increase of \$566,223 in revenues would be realized under applicants' interim proposal.<sup>1/</sup> It will be noted from the above computations that under the staff suggested interim relief, applicants would more than recover the increase in labor and allied payroll expenses which has occurred since June 1, 1965 through June 1, 1967. The interim relief sought by applicants, on the other hand, would not only enable the utility warehousemen involved to recover all of their labor and allied payroll expenses but would also contribute rather substantially to applicants' efforts to improve their overall net earnings.

<sup>1/</sup> The increase in labor and allied payroll expenses of \$381,000 was expanded by the factor of 93 percent; and the interim increase in revenues of \$358,035 estimated under the staff recommendation and the \$464,303 increase in revenues produced under applicants' alternative interim proposal were expanded by the factor of 82 percent, respectively.



It has been established that applicants have and are currently experiencing increases in their costs of utility warehouse operations which are not now reflected in the present tariff rates and charges. It has been further demonstrated that an increase in rates and charges for handling and other accessorial services except storage would, if authorized on an interim basis as recommended by the staff, enable the utility warehousemen involved to recover the increases in labor and allied payroll expenses in effect generally as of June 1, 1966, and June 1, 1967, and thereby avoid potential utility warehouse operating deficits. Pending the presentation in evidence of up-dated financial studies relative to the utility warehouse activities of applicants by the staff or other interested parties, the total increase proposed in the application has not been shown to be fully warranted in the light of the partial evidence received to date.

The Commission finds that:

1. Applicants are experiencing upward adjustments in their utility warehouse operating expenses which are not now reflected in their tariff rates and charges.
2. While applicants have demonstrated a need for additional revenues, it has not been shown on the record to date whether the additional revenues sought in the application are fully justified and reasonable.
3. In the light of the evidence now before us, an interim increase as proposed in all rates and charges, except those provided for storage, in the aforementioned tariffs, has been shown to be just and reasonable.

4. The sole purpose of the alternatively sought interim relief is to enable applicants to recover, in increased revenues, the approximate amount by which their operating expenses have increased by reason of upward adjustments in labor and allied payroll expenses.

5. Pending completion of the Commission staff studies, the interim relief recommended by the staff will reflect the objective set forth in Finding 4 hereof more closely than the alternative interim relief proposed by applicants.

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

In view of the fact that the upward adjustments in applicants' cost of labor and allied payroll expenses have been in effect for a period of several months, applicants will be authorized to establish the increased rates and charges on not less than five 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 (a) establish the increased rates and charges, except those provided for storage, proposed in Application No. 49526; and (b) to cancel certain tariff items designated in the aforesaid application as no longer serving a useful purpose. Tariff publications authorized to be made as a result of the order herein may be made effective not earlier than five days after the effective date hereof on not less than five days' notice to the Commission and to the public.

2. In publishing the increases authorized herein applicants shall dispose of fractions as follows:

- (a) Where the resulting rate is less than ten cents, fractions less than 1/2 mill will be dropped and fractions 1/2 mill and greater will be raised to the next whole mill.
- (b) Where the resulting rate is ten cents or over, fractions less than 1/2 cent will be dropped and fractions 1/2 cent or greater will be raised to the next whole cent.

3. 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.

4. 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 29<sup>th</sup> day of AUGUST 1967.

[Signature] President  
[Signature]  
[Signature]  
[Signature] Commissioners