

Decision No. 73264

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 ANDERSON CARTAGE, BEKINS WAREHOUSING)
 CORP., BOONE WAREHOUSES, INC., FORT)
 SUTTER WAREHOUSE CO., L. E. GRAINGER)
 WAREHOUSE CO., HASLETT COMPANY,)
 LAWRENCE WAREHOUSE & DISTRIBUTING)
 CO., LYON VAN & STORAGE CO., MINGLE)
 TRANSPORTATION & WHSE. CO., MODESTO)
 TERMINALS, OWL TRANSFER CO.,)
 PACIFIC STORAGE COMPANY, STATE)
 CENTER WAREHOUSE, and TRAVIS WARE-)
 HOUSE, INC., dba WESTERN WAREHOUSE)
 COMPANY, for an increase in rates. }

Application No. 49432
 (Filed June 6, 1967)

Vaughan, Paul and Lyons, by John G. Lyons, and
Jack L. Dawson, for applicants.
Charles T. Fritter, B. I. Shoda and Kenji Tomita,
 for the Commission staff.

O P I N I O N

By this application, fourteen public utility warehousemen, operating in the central valley at various locations from Sacramento to Fresno, seek increases in certain of their rates and charges.

Public hearing was held before Examiner Bishop at Sacramento on August 8, 1967. Evidence on behalf of applicants was presented by the warehouse tariff publishing agent, by a certified public accountant, and by officers of five of the applicant warehousemen. Evidence also was presented by the Commission's staff through a financial examiner from its Finance and Accounts Division. Representatives from the Commission's Transportation Division assisted in the development of the record.

The record shows that applicants mailed 750 notices of the sought increases and hearing to their storers. No one appeared in opposition to the proposals.

Applicants seek authority to increase the rates and charges named in California Warehouse Tariff Bureau Warehouse Tariffs Nos. 39 and 40 and in Haslett Company Warehouse Tariff No. 12-E, as follows:

- (1) To increase all storage rates by 10 percent, except the minimum charges provided in Rule 60 of Tariff No. 39.
- (2) To increase all handling rates in Sections 1 and 2 of Tariff No. 39, and all handling rates in Tariffs Nos. 40 and 12-E by 30 percent.
- (3) To increase the minimum storage, handling and storage account charges in Rule 60 of Tariff No. 39 from 60 cents to 75 cents per lot per month storage, from \$1.20 to \$1.50 per lot per month handling and from \$6.00 to \$10.00 per month storage account.
- (4) To increase the withdrawal charge in Rule 105 of Tariff No. 39 from 70 cents to 75 cents and the charge for additional notice of withdrawal from 12 cents to 15 cents.
- (5) To increase the special labor charges per man per hour in Rule 125 of Tariff No. 39 from \$5.00 to \$7.00, straight time, from \$7.50 to \$10.50, overtime, subject to minimum charge of \$1.85 per ton or \$1.75 per service.
- (6) To increase the loading and unloading rate in Rule 80 of Tariff No. 39 from 90 cents to \$1.50 per ton, increasing minimum charges from \$9.00 to \$12.50 per car and from \$3.00 to \$4.25 per vehicle; and increasing charge for unloading pallets from trucks from 35 cents to 50 cents per ton, subject to charges of \$4.25 minimum and \$10.00 maximum.
- (7) Increase all other accessorial charges named in House Rules and Regulations of Tariff No. 39 by 30 percent.
- (8) To establish a new rule which shall provide that merchandise received from other than rail cars shall be assessed a charge of 50 cents per ton, except that such charge shall not apply to unitized loads received on pallets or skids.

No changes are proposed in the specific volume rates and charges named in Items 650 and 655 of Tariff No. 39 and in Item 120 of Tariff No. 40, applicable to tobacco and canned tomato products.

The record shows that the rates and charges in the tariffs sought to be adjusted have been in effect without a general increase since August 5, 1963.^{1/} Since then, according to applicants, costs incurred in operating the warehouses have increased not only in the categories of labor costs, taxes and rents, but also in the higher prices which applicants must pay for materials, services and supplies. Assertedly, the present rates do not yield sufficient revenues to permit applicants to operate at a profit and the sought increases are necessary to enable them to render adequate service to the public.

The manager of the California Warehouse Association described the sought increases, explaining the various bases on which they are predicated. He testified that since the rates in question were last adjusted the plant hourly wage rate has increased from \$3.50 to \$4.61, the most recent wage agreement having become effective April 1, 1967 reflecting an increase of 25 cents per hour. Under this agreement additional increases will take effect in 1968 and 1969. While the proposed increases in rates for services directly related to labor are intended to offset the increased labor costs, this, he said, is not always practicable. The full cost per hour, including the effect of fringe benefits and the factors which expand the base hourly rate, for the performance of special labor services under Rule 125 of Tariff No. 39, for example, is \$7.81. This is to be compared with the proposed increased rate of \$7.00 per hour. Several of the increases in specific charges are designed to bring them up to the levels applicable at warehouses in the San Francisco Bay area.

^{1/} This was the effective date of increased rates authorized by Decision No. 65717, in Application No. 45266.

The witness pointed out, however, that increases were currently being sought in these latter rates in another proceeding.^{2/}

The storage rates here in issue, the witness pointed out, were not increased in the 1963 adjustment. The present rates reflect 1.8 cents per square foot and the proposed basis amounts to 2 cents per square foot. He compared these figures with the present Bay Area figure of 2.1 cents per square foot. The increase of 10 percent in storage rates herein proposed, he further testified, is necessary to make up the deficiency in the handling rates.

The manager also explained a study made of applicants' operating results for the 12-month period ended, with certain exceptions, June 30, 1966.^{3/} He testified that four of the warehousemen do about 87 percent of the business and that the remaining warehouses operate principally in fields other than public utility storage. These figures were expanded to reflect current expenses and revenues under the sought rates. The results are summarized in the following tables:

^{2/} Certain of the proposed Bay Area rate increases have since been authorized, on an interim basis, by Decision No. 72996 dated August 29, 1967 in Application No. 49526.

^{3/} Other period termination dates were: December 31, 1965 (three applicants); September 30, 1966 (one applicant); and December 31, 1966 (four applicants).

Operating Results for
Test 12-Month Periods

	<u>Four Largest Operators</u>	<u>Other Operators</u>	<u>Total All Operators</u>
Revenues	\$ 596,716	\$ 86,135	\$ 682,851
Expenses (including income taxes)	<u>621,436</u>	<u>96,945</u>	<u>718,381</u>
Net	(24,720)	(10,810)	(35,530)
Operating Ratio (percent)	104.1	112.6	105.2

Adjusted Operating Expenses
Current Costs and Sought Rates

	<u>Four Largest Operators</u>	<u>Other Operators</u>	<u>Total All Operators</u>
Revenues	\$ 719,501	\$103,861	\$ 823,362
Expenses (including income taxes)	<u>667,380</u>	<u>98,956</u>	<u>766,336</u>
Net	52,121	4,905	57,026
Operating Ratio (percent)	92.8	95.3	93.1

() - Indicates red figure.

According to the aforesaid study, all but one of the applicants showed a loss in their respective 12-month test periods. The operating ratio for Fort Sutter Warehouse Co., the smallest of the group of four largest operators and one whose revenues amounted to 8.33 percent of the total revenues of all the applicants,^{4/} was 97.3 percent. Under the proposed rates and at current cost levels the operating ratios for the individual warehouses were shown to range from 86.9 percent (for Fort Sutter Warehouse Co.) to 100.2 percent, after income taxes. Apart from the Fort Sutter Warehouse,

^{4/} Some of the applicants herein engage in public utility warehousing also at other locations. The revenues, expenses and operating results discussed or set forth herein relate only to the warehouse services rendered under the tariffs hereinabove identified.

the most favorably placed warehousemen were three of the smaller utilities, for each of which an adjusted operating ratio of 90.5 percent was shown.^{5/} The weighted average figure developed for the four largest operators was 92.8 percent.

Another study introduced by the manager showed the development of the full cost of \$7.81 per hour for special labor, hereinabove mentioned in connection with the proposed increased charge of \$7.00 per hour. In this instance, and in the case of other proposals where the proposed rate falls short of the cost of performing the service as developed by applicants, the witness indicated that the utilities were of the opinion that they could not judiciously request greater rate increases than those which they are now seeking.

As hereinbefore mentioned, no increases are sought in the specific volume rates named in Tariff No. 40 on tobacco and canned tomato products. Storage of the latter, the record shows, is a heavy volume business, and tenders and withdrawals are in large lots, reflecting lower operating costs than are experienced in connection with most commodities. No rate increases are deemed necessary for canned tomato products. A Special Tariff Docket (STD) application seeking increases in tobacco rates will be filed, the witness stated, as soon as agreement is reached with all storers as to the level of the rates.

Dye's Transfer and Storage, and Smiser Warehouse (Samjo Inc.), located in Bakersfield, and Colonial Van and Storage, located near Fresno, parties to Tariff No. 39, are not applicants to this proceeding. The manager testified that the two Bakersfield

^{5/} No operating results were shown in applicants' exhibits for Lawrence Warehouse and Distributing Co. and Mingle Transportation and Whse. Co. According to the record, these companies had no public utility storage during 1966.

operators have not elected to seek rate increases at this time. He further testified that Colonial Van and Storage will seek an increase in rates by a separate proceeding in the near future.

The aforesaid financial examiner from the Commission's staff introduced a study which staff members had independently made of the operating results of five of the applicants, whose revenues comprised 78.5 percent of the total revenues of all the applicants for the periods used in the applicants' studies. The group included three of the operators embraced by applicants' group of the four largest operators.^{6/} The periods covered by the staff study were generally more recent than those of applicants: the 12-month periods ended March 31, 1967 for four of the utilities, and December 31, 1966 for the fifth.

In the staff study the selected companies show a composite ratio after taxes of 100.8 percent at present rates and 90.7 percent at proposed rates. The individual operating ratios range from 85.5 to 110.0 percent under present rates and from 80.2 to 95.6 percent under the proposed rates. The operating results for the utilities in the staff study are, with one exception, substantially more favorable as estimated by the staff than those developed for the same applicants by the aforesaid manager. The exception is Haslett Warehouse Corp. (Haslett), which accounted for 45.0 percent of the total revenues, under the involved tariffs, of all applicants. In this instance, the operating results shown in applicants' study are

^{6/} The staff had examined the records of the seven largest operators. It was found, however, that the records of two of these were maintained in such a manner that expenses for utility warehouse operations could not be separated from those for other operations. One of these was State Center Warehouse, the remaining operator in the aforesaid group of four largest utilities employed in applicants' study.

somewhat more favorable than are estimated by the staff. The operating ratios for Haslett in the staff study are 110.0 and 94.8 percent under present and proposed rates, respectively; the corresponding figures developed by applicants are 105.1 and 92.3 percent

The estimates, in the respective studies, of operating results of the five applicants in question are not directly comparable, since the periods selected for study do not coincide. This alone, however, does not explain the wide differences between the two studies in the estimates for the four utilities other than Haslett. In the development of estimates under the proposed rates both studies purport to give full effect to labor cost increases that occurred during or subsequent to the selected periods, except that in the staff study the impact of a wage increase effective June 1, 1966 was not measured for the full 12-month period studied and recognition was not given to increases in certain payroll taxes.

However, the principal differences in treatment of the book records of the utilities included in both studies appear to relate to allocations of indirect expense items, and certain plant expenses, between utility (that is, public utility warehouse) expenses and nonutility (or other) expenses. This problem did not arise in connection with Haslett or Modesto Terminals, which companies allocate expenses to various operations in their accounting records. The remaining three utilities, Western Warehouse Company, Fort Sutter Warehouse Co. and Anderson Cartage do not make such segregations in their records. In the development both of the applicants' and of the staff's studies the book records, including payroll accounts, were examined and interviews were had with managers, supervisors and employees involved. The allocations between utility and nonutility

expenses which were then applied to the company records in the staff and applicant studies, respectively, were in many instances widely divergent. Thus, in adjusting the book figures of Western Warehouse Company applicants frequently assigned 90 percent to utility, and 10 percent to nonutility expense. The staff, however, would assign 50 percent to each of these categories in treating the same expense item.

The record is not sufficiently detailed to enable a determination of the weight properly to be accorded the respective allocations made by applicants and staff in the above-described elements of expense, and, consequently, in the overall estimates of operating results, not only for the five applicants included in both studies, but also for the remaining applicants which were included in the exhibits concerning which the warehouse association manager testified. However, the record herein does show, as in prior proceedings, through testimony of officers of several of the applicants herein, that parity of rates as between competing warehousemen is essential for the maintenance of adequate and reliable service, responsive to the needs of the public. Warehouses of Haslett are located in all of the communities embraced by this proceeding, except Fresno and Modesto. Both studies show that Haslett's adjusted operating results for the respective periods studied resulted in losses and that estimated operating results under the proposed rates would be not unduly favorable for that applicant. Like showings are indicated in applicants' study for State Center Warehouse, which operates in Fresno,^{7/} and for Modesto Terminals, Modesto. The estimated operating ratios for the former, after income taxes, are 108.6 and 95.2

^{7/} As hereinbefore stated, the staff reviewed the book records of this utility, but because of the manner in which its records were maintained the staff was unable to include said operator in its study.

percent under present and proposed rates, respectively. For the latter, the corresponding estimates of applicant are 120.4 and 100.2 percent, and of the staff are 103.5 and 95.6 percent.

Accordingly, we find that:

1. Present rates do not provide revenues sufficient to enable applicants to meet the expenses of performing the public utility warehouse operations here involved.

2. Revenues to be derived under the proposed increased rates and charges will not be excessive.

3. The proposed increased rates and charges are justified.

The Commission concludes that the application should be granted.

In view of the urgent need for additional revenues, applicants will be authorized to publish the proposed tariff changes on ten days' notice to the Commission and to the public and the order which follows will be made effective ten days after the date hereof.

In authorizing the above-described increases we do not make any finding of fact as to the reasonableness of any particular rate or charge.

ORDER

IT IS ORDERED that:

1. Applicants are authorized to establish the increased rates and charges and other tariff changes as proposed in Application No. 49432. 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. In publishing the increased rates and charges, fractions of a cent shall be disposed of as follows:

- (a) Where the resulting rate is less than \$1.00, dispose of fractions to the nearest mill by dropping fractions of less than one-half mill and increasing fractions of one-half mill or more to the next whole mill.
- (b) Where the resulting rate is \$1.00 or more, dispose of fractions to the nearest cent by dropping fractions of less than one-half cent and increasing fractions of one-half cent or more to the next whole cent.

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 sixty 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 OCTOBER, 1967

[Signature]
President

[Signature]

[Signature]

[Signature]
Commissioners

Commissioner William Simons, Jr., being necessarily absent did not participate in the disposition of this proceeding.