

ORIGINALDecision No. 73664

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
MALCOLM W. LAMB, dba SOUTH END
WAREHOUSE COMPANY, for authority to
increase certain warehouse rates.

Application No. 49722
(Filed October 13, 1967)

O P I N I O N

Malcolm W. Lamb, doing business as South End Warehouse Company, operates as a public utility warehouseman in the City and County of San Francisco. By this application he seeks authority to increase certain of his rates and charges and to revise certain tariff rules so as to result in increases.

Applicant's rates, charges and rules are set forth in California Warehouse Tariff Bureau Tariff No. 32, Cal. P.U.C. No. 174 of Jack L. Dawson, Agent. The proposed increases relate only to the rates, charges and rules set forth in that portion of the tariff designated as "House Rules and Regulations and Accessorial Charges". The proposed levels of the rates and charges are the same as those which were sought by 27 other San Francisco Bay area warehousemen in Application No. 49526, in connection with corresponding provisions in other tariffs. By interim Decision No. 72996, dated August 29, 1967 in that application, all of the sought increases corresponding to those sought herein by applicant were authorized except those proposed in the minimum storage charge per lot and in the minimum monthly storage charge per account.^{1/} No

^{1/} In Application No. 49526, the 27 applicants sought increases also in the rates and charges set forth in the regular storage and handling sections of the tariff. Pending completion of staff studies and further order, the Commission, by Decision No. 72996, authorized all of the sought increases except that no increases in storage charges were permitted.

increases are sought herein in the rates and charges provided in the regular storage and handling sections of the aforesaid Tariff No. 32.

Since 1959, when the last general increase in the utility's rates was effected, the application states, the base hourly warehouse labor rate has increased 96 cents per man per hour, not including increases made in contributions to employee health, welfare and pension funds, in Social Security taxes and in workmen's compensation insurance premiums; that applicant operates under the labor contracts that prevail generally throughout the San Francisco Bay area, and has experienced the same increases in the cost of materials, supplies, maintenance and taxes as other public utility warehousemen.

Attached to the application is a statement setting forth applicant's operating results for the year ended December 31, 1966. The statement discloses a profit for that period of \$1,180 after income taxes, reflecting an operating ratio of 99.6 percent. There is also a pro forma showing of what the operating results would have been if the proposed increased rates and current cost levels had prevailed during that same period. Under these latter figures there is an estimated net profit of \$11,583 after taxes and an operating ratio of 96.8 percent.

The Commission's Finance and Accounts Division staff reviewed the book records and results of operation of the applicant for the 12-month period ended June 30, 1967. An analysis of projected revenues at proposed rates was made at the same time. The results of the staff review and analysis are set forth in a report which is hereby received as Exhibit No. 1. While the studies of applicant and the staff are not comparable because of the fact that they relate to different periods, it will be

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observed that the results reflected by the staff figures are slightly less favorable than those depicted in the application. The results of the two studies are summarized in the table below.

	<u>Applicant</u> <u>(12-Month Period Ended</u> <u>December 31, 1966)</u> ✓		<u>Staff</u> <u>(12-Month Period Ended</u> <u>June 30, 1967)</u>	
	<u>(A) Present</u>	<u>(B) Proposed</u>	<u>(A) Present</u>	<u>(B) Proposed</u>
Revenues	\$ 320,165	\$ 359,705	\$ 328,274	\$ 368,882
Expenses	<u>318,985</u>	<u>343,990</u>	<u>332,858</u>	<u>357,880</u>
Net (Before Income Taxes)	1,180	15,715	(4,584)	11,002
Income Taxes	<u>-</u>	<u>4,132</u>	<u>-</u>	<u>3,021</u>
Net (After Taxes)	1,180	11,583	(4,584)	7,981
Operating Ratio (Percent)	99.6	96.8	101.4	97.8
Rate Base	507,199	513,055	417,439	417,439
Rate of Return (Percent)	0.23	2.26	-	1.9

(A) Book record, with routine adjustments, for period.

(B) Results for period, adjusted to give effect to proposed increases and current expense levels; also includes salary provision for owner-manager.

Certain differences in treatment of expense estimates in the respective studies should be noted. The book records of applicant, it appears, include no item for a managerial salary for the owner. In the "proposed" columns of the table, above, applicant included in expenses an allowance of \$20,000 for such salary. In the staff estimate this has been reduced to \$12,000, for rate-making purposes. It appears further that the various bases employed by the staff for allocating indirect expenses between utility and nonutility operations differed, at least in some respects, from those observed by applicant. Income taxes, also, were computed on the corporate basis.

Applicant included in his rate base estimate an allowance for working capital, calculated at one-sixth of the annual operating expenses (exclusive of depreciation expense). The staff estimate made no provision for working capital.

As hereinbefore stated, the rate increases which the 27 applicants in Application No. 49526 were authorized to make on an interim basis do not include proposed increases in storage rates and charges, including those named in the "rules" sections of the applicable tariffs. Both applicant's and the staff's figures in the instant application show, however, that applicant is in need of an overall increase in revenues to offset the increases in operating expenses which he has experienced since his last increase in rates. Increases in those storage charges embraced by the application appear to be justified, as well as increases in the remainder of the involved rates and charges.

Applicant has notified all his storers of the proposed rate increases. No protests have been received. A public hearing is not necessary.

We find that:

1. Present rates involved in this application do not provide revenues sufficient to meet the expenses incurred in 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 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. Applicant is authorized to establish the increased rates and charges and other tariff changes as proposed in Application No. 49722. Tariff publications authorized to be made as a result of the order herein shall be filed not earlier than the effective date of this order and 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 applicant 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.

3. 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 twenty days after the date hereof.

Dated at San Francisco, California, this 30th day of JANUARY, 1968.

[Signature]
President

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Commissioners