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ORIGINAL

Decision No. 73851

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
of ACE CITY DELIVERY, 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.,
CAL-PACIFIC TRUCK LINES, INC.,
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, DART PUBLIC
WAREHOUSE, INC., DAVIES WAREHOUSE
COMPANY, FREIGHT TRANSPORT COMPANY,
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., PEERLESS TRUCKING COMPANY,
QUALITY WAREHOUSE & DISTRIBUTING,
REDWAY TRUCK AND WAREHOUSE COMPANY,
TORRANCE VAN & STORAGE COMPANY,
doing business as S. & M. TRANSFER
& STORAGE CO., SIGNAL TRUCKING
SERVICE, LTD., STAR TRUCK &
WAREHOUSE CO., SUPERIOR FAST
DRAYAGE, TRULOVE TRANSFER &
STORAGE, INC., UNION TERMINAL
WAREHOUSE, VELTMAN WAREHOUSE CO.,
VERNON CENTRAL WAREHOUSE, INC.,
doing business as VERNON WAREHOUSE
COMPANY, 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. 49761
(Filed October 30, 1967)

Arlo D. Poe and Jack L. Dawson, for all applicants.

Alexander M. Dickie, Harold A. Drury, Elmus M. Ely, Clyde R. Hoagland, Larry G. Hobbs, Robert E. Johnston, Jackson W. Kendall, Nicholas N. Weber, for various applicants.

James Quintrall, for Los Angeles Warehousemen's Association; John A. Cunningham, in propria persona; interested parties.

Gordon M. Blankenship, Milton J. DeBarr, Charles T. Fritter and John R. Laurie, for the Commission staff.

O P I N I O N

Applicants operate public utility warehouses for the storage of general commodities within Los Angeles and at other Southern California points. By this application they seek authority to increase by 8½ percent all rates and charges, except those provided for storage, applicable at said warehouses. The tariffs in issue are specified in the margin.^{1/} No increases are sought in storage rates and charges.

Public hearing was held before Examiner Bishop at Los Angeles on December 14, 1967. Applicants' showing was made, at the conclusion of which a representative from the Commission's Finance and Accounts Division stated that the division planned to introduce evidence in the proceeding, that several of its staff members were engaged in a study of 11 of the applicant operators, that the study was expected to be completed about January 31, 1968 and the reports based thereon would be ready for presentation by

1/ California Warehouse Tariff Bureau Tariffs Nos. 28-A and 29-A, Cal. P.U.C. Nos. 193 and 194, respectively, of Jack L. Dawson, Agent; M & M Transfer Company Warehouse Tariff No. 11, Cal. P.U.C. No. 11; Torrance Van & Storage Company, doing business as S & M Transfer and Storage Co., Warehouse Tariff No. 6, Cal. P.U.C. No. 6; and Vernon Central Warehouse, doing business as Vernon Warehouse Company, Warehouse Tariff No. 4, Cal. P.U.C. No. 4.

February 15, 1968. He requested that the matter be adjourned approximately to that date for receipt of the division's evidence. The representative from the Engineering Economics Branch of the Commission's Transportation Division staff stated that his division also planned to undertake a study and would be ready for hearing at the same time. Counsel for applicants vigorously opposed the scheduling of an adjourned hearing, for reasons which will be hereinafter treated.

The examiner stated that the matter would be taken off calendar to permit consultation with the Commissioner to whom Application No. 49761 is assigned, and that the parties would be later advised in the premises. On December 28, 1967 the parties were advised by telephone, with confirmation by letter on the following day, that no further evidence would be required, that a proposed decision would be prepared based on the evidence as introduced at the December 14 hearing and that the proceeding would be taken under submission by the Commission's decision.

Evidence on behalf of applicants was presented through an accountant who is also the executive secretary and treasurer of the Los Angeles Warehousemen's Association and through the tariff publishing agent of the California Warehouse Tariff Bureau. Staff members assisted in the development of the record through cross-examination.

The rates and charges of applicants were most recently adjusted in two stages, pursuant to decisions in Application No. 47175. In that proceeding authority was sought to increase storage rates by 10 percent, handling charges by 15 percent and miscellaneous rates and charges by 25 percent. Comprehensive studies had been undertaken by applicants in support of their requests but would not

be completed for several months. Therefore applicants requested an interim increase of 8 percent in all rates and charges, except those for storage, pending completion of the studies and future hearings on the overall proposals. By Decision No. 68958, dated April 27, 1965, the Commission authorized an interim increase of 4 percent in all rates and charges except those for storage, pending completion of studies by applicants and by the Commission's staff. These increases became effective on June 7, 1965. By Decision No. 70589, dated April 19, 1966, the Commission found that the full amount of the increases as sought in Application No. 47175 had been justified, and granted the application in full. These latter increases became generally effective on May 9, 1966.

According to the application now under consideration, the costs to applicants of providing warehouse service have increased since the above described rate adjustments went into effect. These cost increases have been experienced in various expense items affecting services performed by applicants, particularly in the matter of wages and salaries. Currently and in the future, it is asserted, the present rates and charges for all warehouse services except storage are not, and will not be adequate to meet operating expenses. Applicants believe that the proposed increases in rates and charges will be reasonable and justified.

The accountant testified that said rate increases are intended to offset wage and related cost increases which have transpired since January 1, 1966. These increases occurred on various dates in 1966 and 1967, according to the labor organization involved.^{2/} For example, as of July 1, 1967 the starting hourly wage

^{2/} General Warehouse Union Local 598, Local Teamsters' Union Joint Counsel 42, and three van and storage locals are involved. Basic wage rates in agreements with all of these experienced increases in 1966 and 1967.

rate for warehouse laborers in Local 598 (Los Angeles) was 11.83 percent higher than the corresponding rate in effect on July 1, 1965.

This witness introduced a series of exhibits designed to show the impact of the increased operating costs upon the operating results of applicants and the rate increases deemed necessary to provide additional revenues sufficient to compensate the warehousemen for the augmented operating expenses. One exhibit, embracing the operations of eleven of the largest of the applicant warehousemen,^{3/} showed the operating results for the year 1966, and those results as adjusted to reflect, on an annual basis, revenues at present rates and current cost levels, also under the proposed rates and current cost levels.

For those operators, as a group, the witness had developed the total additional operating expenses on an annual basis, by reason of the cost increases heretofore mentioned, to be \$345,986. The aggregate of additional revenues for these same warehousemen under the proposed rates he calculated would amount to \$338,583. In other words, he found that an increase of 8½ percent in all rates and charges, exclusive of those for storage, would produce additional revenues which would approximate the aggregate of increased expenses.

In Table I, below, are summarized the public utility warehouse operating results of the selected group for the year 1966. In Table II, below, are shown the estimated operating results for a projected rate year at present and proposed rates.

^{3/} The warehousemen in question are the same as those utilized as representative both in applicants' and the Commission staff's studies in Application No. 47175, above. According to the record they account for about 75 percent of the revenues of all 42 applicants.

TABLE I

Results of Operations
Before State and Federal Income Taxes
(Year of 1966)

<u>Warehousemen</u>	<u>Revenues</u>	<u>Expenses</u>	<u>Net</u>
Calif. Warehouse	\$ 340,402	\$ 329,182	\$ 11,220
H. G. Chaffee	94,314	93,132	1,182
Davies	272,665	253,925	18,740
Interamerican [#]	371,624 [#]	360,992 [#]	10,632 [#]
Metropolitan [#]	1,064,444 [#]	975,138 [#]	89,306 [#]
Overland	693,624	644,905	48,719
Pacific Coast	1,155,768	1,101,549	54,219
Pacific Commercial [#]	248,925 [#]	242,490 [#]	6,435 [#]
Redway Truck	228,905	210,912	17,993
Star Truck	601,026	534,509	66,517
Union Terminal [#]	<u>1,148,572[#]</u>	<u>1,209,589[#]</u>	<u>(61,017)[#]</u>
Total	\$6,220,269	\$ 5,956,323	\$263,946

() - indicates red figure.

[#] Does not reflect substitution of affiliates' expenses in lieu of rent paid by applicant.

TABLE II

Estimated Results of Operations
for 11 Representative Warehousemen
for a Rate Year Under Operating Expense Levels
as of July 1, 1967
(After Income Taxes)

<u>Warehousemen</u>	<u>Under Present Rates</u>		<u>Under Proposed Rates</u>	
	<u>Net Income</u>	<u>Operating Ratio</u>	<u>Net Income</u>	<u>Operating Ratio</u>
Calif. Warehouse	\$ 2,792	99.2	\$ 15,687	95.8
H. G. Chaffee	(79)	100.1	3,656	96.4
Davies	12,318	95.7	23,105	92.3
Interamerican	(262)	100.1	39,222*	90.0*
Metropolitan	42,986	96.1	104,335*	91.0*
Overland	24,212	96.6	41,357	94.5
Pacific Coast	20,548	98.3	51,117	96.0
Pacific Commercial	5,568	97.9	28,630*	89.6*
Redway Truck	12,551	94.7	20,907	91.6
Star Truck	31,004	95.0	47,663	92.8
Union Terminal	<u>(97,773)</u>	108.2	<u>(33,577)*</u>	102.7*
Total	\$53,865	99.2	\$342,102	95.0

() - indicates red figure.

* Reflects substitution of affiliates' expenses in lieu of rent paid by applicant.

The procedures employed in developing the projected operating results in Table II, the record indicates, were consonant with those employed in applicants' presentation made in Application No. 47175, above. The witness pointed out that, while under existing labor agreements further increases in labor and related expense will be experienced in 1968, such increased costs have not been taken into account in developing the estimates summarized in Table II.

The accountant had also prepared an exhibit showing estimated operating results for the projected rate year for most of the applicants not included in the group of eleven operators, above. Four of the applicants rendered no public utility warehouse service in 1966. Most of those who did are primarily engaged in other business activities, such as drayage and the storage of household effects. The operating results of these concerns in the field of public utility warehousing are not typical. Some reflect extremely favorable, and others very unfavorable operating ratios. The aggregate operating ratios estimated for this second group of applicants were 99.9 percent under a continuation of present rates, and 97.0 percent under the proposed rates, after income taxes.

The accountant also introduced an exhibit summarizing the operating results of the principal group of eleven warehousemen for the first six months and the first nine months, respectively, of 1967, and for the three month period ended September 30, 1967. The composite ratios shown for the group were, before income taxes, 95.0, 96.7 and 100.0 percent for the three periods, respectively. In the opinion of the witness the operating results for the fourth quarter would prove to be more unfavorable than those for the third quarter, due, he said, to year-end accounting adjustments, and heavy withdrawals for the holiday business, among other reasons.

The tariff agent testified concerning two exhibits he had prepared which showed (1) the breakdown, by percentages, of the expense dollar into the various classifications of expense items, and (2) the percentage relationship of expenses, income taxes and profit to proposed revenue. These exhibits compared the indicated data as reflected in the evidence presented in the hearings in Application No. 47175 with the corresponding figures developed in

exhibits in the instant proceeding. The breakdown and percentage relationships were shown to be almost identical in the two proceedings. For example, plant labor expense was 51.7 percent of total plant expense in the earlier proceeding, while the corresponding figure reflected by the expense data in the present request was 52.58 percent. The distribution of the proposed revenue dollar showed a profit figure of 6.3 percent in the Application No. 47175 presentation and 5.1 percent in the instant proceeding.^{4/}

The tariff agent testified that applicants desire authority to effect the proposed rate increases, if authorized, by the publication of surcharge supplements to the involved tariffs. Such supplements would, he said, save from four to six weeks in placing the increases in effect, as compared with individually revising the affected rates and charges. He pointed out that the operators are bearing the increased costs hereinbefore described in performing services at rates which were predicated on lower operating costs, and consequently are desirous of establishing the rate increases as soon as possible.

In his testimony the accountant explained why no increases in rates and charges for storage are being sought. The principal impact in operating costs has been in the increases in wages, salaries, and related labor expense. He estimated that such expense comprises only from 10 to 15 percent of the total cost of rendering the service of storage. He pointed out also that in the most recent rate increase proceeding involving applicants a 10 percent increase

^{4/} The percentages shown in these two exhibits were predicated on expense and proposed revenue figures of the 11 selected operators as a group.

in storage rates and charges was authorized. For these reasons applicants concluded not to seek a further increase in those rates and charges.

Notices of the proposed increases were mailed by applicants to all their respective storers early in November 1967. No storers, or other consumer interests, appeared in opposition to the proposals.

The record thus far received shows that applicants have experienced increases in operating costs, that under a continuation of present rates the estimated composite operating ratio for the principal applicants for a projected twelve month period, after income taxes, would be 99.2 percent, and that the estimated operating ratio under the proposed increased rates would be 95.0 percent, after taxes. For the other applicants, as a group, the estimated operating ratios for the rate year, after income taxes, are 100 percent and 97 percent, at present and proposed rates, respectively. To the extent that these figures may be accepted as reliable, they clearly indicate the reasonableness of applicants' proposals.

Examination of the individual operating ratios in Table II above, shows that the estimates range from 108.2 down to 94.7 under present rates, and from 102.7 down to 89.6 under the proposed rates. In prior decisions involving public utility warehousemen in the Los Angeles area, the Commission has recognized the necessity, for competitive reasons, of maintaining warehouse rates and charges on uniform levels among the various operators throughout the area. The tariff agent testified to the continuing necessity for this practice.^{5/}

^{5/} He pointed out that certain warehousemen specialize in the handling of certain commodities, for which the general commodity warehousemen do not compete. Lower rates are maintained on these commodities by the warehousemen handling them.

As hereinabove indicated, in preparation for applicants' presentation in Application No. 47175, their accountant witness made comprehensive and thorough studies of their facilities, operations and accounting procedures, including the bases for segregating or allocating revenues and expenses between public utility warehousing and their other activities. At the same time the Commission's staff made its own studies of the utilities on a comparable scale. The independent studies of applicants' accountant and the staff extended over a period of seven months. The operating results presented by the accountant and the staff at the adjourned hearings, held December 15 and 16, 1965, were substantially alike. At that time the staff members stated that they had found nothing in their presentation of the warehousemen which in their opinion would require denial of the increases there sought. As hereinbefore stated, the rate increases sought in Application No. 47175 were granted in full.

It appears that the purpose of the staff, in undertaking a study of the utilities' book records and operations in connection with the instant proceeding, was to determine whether any improprieties in the development of the accountant's figures would be discovered. The staff requested an adjourned hearing for the purpose of presenting the results of its investigation. In the light of the background, as outlined above, of the accountant's studies in this proceeding, and of the evidence adduced at the hearing on December 14, 1967, we are of the opinion that no further evidence is needed to enable the Commission to reach a proper decision in the matter, and that the application should be taken under submission.

We find that:

1. No additional evidence is required to enable the Commission to reach a proper decision in Application No. 49761.
2. Said application should be taken under submission by the order which follows.
3. Applicants have demonstrated a need for additional revenues in connection with their public utility warehouse operations.
4. The proposed increases in rates and charges are reasonable and justified.
5. Applicants' request for authority to establish the increased rates and charges by means of surcharge supplements to the involved tariffs is reasonable and should be authorized, subject to the condition that within ninety days after the effective date of the order which follows applicants shall incorporate the increases specifically in the affected individual rates and charges set forth in said tariffs.

In view of the urgent need for additional revenues authority should be granted, as requested in the application, to establish the increases in rates and charges found justified herein on 10 days' notice to the Commission and to the public.

We conclude that the application should be granted.

O R D E R

IT IS ORDERED that:

1. Application No. 49761 is taken under submission.
2. Applicants are authorized to establish the increased rates and charges proposed in Application No. 49761. 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.

3. Pending establishment of specific rates and charges, increased as authorized in paragraph 2 hereof, applicants are authorized to make effective increases in their rates and charges by means of a tariff surcharge rule as set forth in Exhibit 9 in this proceeding, provided that said increased rates and charges do not exceed the rates and charges authorized in paragraph 2 hereof. Thereafter, applicants shall proceed to further amend their tariffs so said increased rates and charges may be determined without the use of a surcharge tariff provision, said further amendment to be completed within ninety days after the effective date hereof.

4. In establishing the increased rates and charges authorized in paragraph 2 hereof, disposition of fractions shall be made as proposed in said Exhibit 9 in this proceeding.

5. 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.

6. The authority herein granted will 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
12th day of MARCH, 1968.

Robert E. McChesney
President

William C. Bernard

Augusta

William Lyons Jr.

Paul P. Monsey
Commissioners