

ORIGINAL

Decision No. 76803

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of ACCURATE CARTAGE AND WAREHOUSING, INC.; BAY CITIES WAREHOUSE COMPANY, INC.; BECKMAN EXPRESS & WAREHOUSE CO.; BEKINS WAREHOUSING CORP.; BENTLEY MOVING & STORAGE CO.; CENTRAL WAREHOUSE & DRAYAGE CO., INC.; CHICHESTER TRANSPORTATION COMPANY, INC.; CONSOLIDATED DE PUE CORPORATION; Edgar and Correnah De Pue Osgood, dba DE PUE WAREHOUSE COMPANY OF SAN FRANCISCO; 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; Irving S. Culver as an individual and Executor of the Estate of Charles Lee Tilden, Jr., dba GIBRALTAR WAREHOUSES; William J. Gonzalez, dba GONZALEZ FREIGHT LINES; HASLETT COMPANY; LYON VAN & STORAGE CO.; MARCANTELLI WAREHOUSE CO., INC.; John V. Fox, Jr., George F. Fox and Joseph T. Fox, dba JOHN McCARTHY & SON; OVERMYER OF SAN LEANDRO; PASHA WAREHOUSES, INC.; Bernard J. Hecht, dba RICHMOND DISTRIBUTION CENTER; RICHMOND TRANSFER AND STORAGE COMPANY; ROBERTSON DRAYAGE CO., INC.; SAN FRANCISCO WAREHOUSE CO.; Malcolm W. Lamb, dba SOUTH END WAREHOUSE COMPANY; STATE TERMINAL CO., LTD.; STEWART WAREHOUSES, INC.; 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; Mario Giovannini, dba UNION CITY WAREHOUSE; WALKUP'S MERCHANTS EXPRESS; and WALTON DRAYAGE & WAREHOUSE CO., INC.; for an Increase in Rates.

Application
No. 51461
(Filed
November 5,
1969)

INTERIM OPINION

By this application thirty-three public utility warehousemen seek ex parte authority for an interim increase in revenue of approximately 5 percent.^{1/} The utility warehouse

^{1/} Applicants' rates and charges are contained in the following California Warehouse Tariff Bureau warehouse tariffs issued by Jack L. Dawson, Agent: Warehouse Tariff No. 48, Cal. P.U.C. No. 219, Warehouse Tariff No. 49, Cal. P.U.C. No. 220, Warehouse Tariff No. 32, Cal. P.U.C. No. 174, Warehouse Tariff No. 50, Cal. P.U.C. No. 216, Warehouse Tariff No. 56, Cal. P.U.C. No. 223, and Warehouse Tariff No. 57, Cal. P.U.C. No. 226.

operations of applicants are for the dry storage of general commodities at warehouses located in the San Francisco - East Bay Metropolitan area. The specific ex parte adjustments in rates and charges sought by applicants may be summarized as follows:^{2/}

1. Increase present withdrawal and line item charge from \$1.00 per withdrawal plus 15 cents per line item, to \$1.00 per withdrawal plus 25 cents per line item.
2. Increase rail carloading and unloading charge, truck receiving charge, will-call charge, and special labor charge, by 15 percent.
3. Cancel designated "dead rate" tariff items.

No increases are sought in the regular storage and handling rates unless such rates include a service for which rates are separately stated and proposed to be increased herein. The present level of rates was authorized, effective March 1, 1968, by Decision No. 73644, in Application No. 49722 (for South End Warehouse Company) and, effective September 1, 1968, by Decision No. 74548, in Application No. 49526 (for other applicants). Since the present rates became effective the warehousemen have experienced additional increases in their cost of operations in the form of increased wages, taxes, materials and supplies, maintenance and repairs. Applicants submit the revenue derived from their existing rates and charges is insufficient.

The warehousemen are presently operating under a three-year labor contract negotiated with their employees in 1967. The present level of the warehousemen's tariff rates reflects labor costs effective

^{2/} Applicants are also prepared to present evidence at public hearing in support of further increase proposed in other specified utility storage rates and charges.

generally as of June 1, 1968. Effective June 1, 1969, applicants experienced a further 20-cents per hour increase in their wage costs. Such increase completes the third and final round of wage adjustments under applicants' current labor contract with their employees. The relief sought herein is designed to offset the June 1, 1969 increase in applicants' cost of labor.

The tariff agent for applicant warehousemen submitted financial and statistical information, in the form of exhibits attached to the application, in justification for the proposed increase. The Commission staff also submitted a report relative to the data submitted by applicants' tariff agent. The staff report is received in evidence as Exhibit No. 1. The following table shows the results of operations for all applicant warehousemen, except Accurate Cartage and Warehousing, Inc., Richmond Distribution Center, Stewart Warehouse, Inc., and Union City Warehouse whose operations commenced during 1969:

TABLE I
Results of Operations

(Source-Exhibit D. A. 51461 and Staff Exhibit No. 1)

	<u>Actual Operations Rate Year 1968</u>	<u>*Proposed Rates Revised Expenses</u>
Revenue	\$6,950,283	\$ 7,990,507
Expenses	6,717,407	7,088,546
Operating Income	232,876	901,961
Income Taxes	138,926	417,813
Net Operating Income#	93,950	484,148
Operating Ratio#	98.6%	93.9%

* Rate increases effective 3-1-68 and 9-1-68
(D. 73644, A. 49722 and D. 74548, A. 49526)
and increased expenses annualized.

After computed income taxes.

In Exhibit No. 1 the staff explains that in the last general rate increase granted applicants, effective September 1, 1968, actual overall operations were shown to yield an operating ratio of 97.4 percent after income taxes. Under the 1968 rate proposal and revised expenses a 94.4 percent operating ratio was the projected result. From Table I it will be noted that the actual 1968 operations produced an operating ratio of only 98.6 percent after income taxes. The projected operating ratio of 93.9 percent under applicants' current overall rate proposal is 4.7 percent lower than the 1968 estimated results of operations.

The staff also notes in Exhibit No. 1 that necessarily there has been a delay between the time projections have been made and the actual time when increased rates have become effective. Cost increases have been experienced by the warehousemen which were not anticipated in the original projections. This has adversely affected

the operating ratios. As a result applicants have not been able to enjoy operating ratios as favorable as projected prior to securing rate increases. For the years 1963 through 1968 the actual operating ratios, before income taxes, experienced by applicants ranged as follows:

<u>S. F. Warehouse Group</u>			
<u>Operating Ratios Before Income Taxes</u>			
1963	104.5%	1966	98.3%
1964	103.6	1967	97.2
1965	95.9	1968	96.4

In connection with the partial ex parte increase phase of applicants' overall rate proposal, the warehousemen's tariff agent has estimated that for five of the major applicant warehousemen, accounting for over 60 percent of the total revenue involved, said ex parte increase will return \$237,528 in additional revenue as an offset for \$236,780 increase in operating expenses. When three additional major applicant warehousemen's results of operations are included in the tariff agent's projected rate year, thereby accounting for 80 percent of the total revenue involved in the application, anticipated additional revenues under the requested ex parte rate adjustment amounts to approximately \$304,922. This amount would partially offset an increase in expenses for the projected rate year of about \$312,598. The total estimated results of operations under the proposed ex parte increase, as set forth in Exhibit F of the application, are summarized in the following table:

TABLE II

Results of Operations for 1968 Adjusted to
 Reflect Proposed Ex Parte Increase and
Increased Annualized Expenses

	<u>Applicant Warehousemen*</u>
Revenue Under Proposed Ex Parte Increase	\$7,759,584
Expenses, Revised to Reflect Known Increases on Annual Basis	<u>7,088,547</u>
Profit (Before Taxes)	671,037
Income Taxes	310,824
Expenses (After Taxes)	7,399,371
Profit (After Taxes)	360,213
Operating Ratio (After Taxes)	95.4%

* Operations of Accurate Cartage and Warehousing, Inc., Richmond Distribution Center, Stewart Warehouses, Inc., and Union City Warehouse, not included by applicants' tariff agent as operations commenced in 1969.

Applicants direct attention to the fact that in the last general rate increase proceeding, the Commission, in Decision No. 74548, authorized the establishment of increased rates which were estimated to produce overall operating ratios for applicants ranging from 92 to 95 percent. By their application, the utility warehousemen in the San Francisco - East Bay Metropolitan area are seeking ex parte and subsequent total increases in their rates and charges estimated to produce overall operating ratios of 95.4 and 93.9 percent, respectively.

In Exhibit 1, the Commission staff reaches the following conclusions and recommendations relative to applicants' sought increase:

"The data submitted by applicants appears to be reasonably representative of applicants' operations. The adjustments effected to show revised expenses and rate projections have previously been sanctioned by the Commission with respect to this warehouse group. Applicants have demonstrated that additional revenue is needed to compensate for increased expenses being experienced which are not reflected in present rates and charges. The rate increases applicants seek under ex parte handling should be granted in the absence of protest, and public hearing should be held with respect to the increases for which ex parte consideration is not sought."

The Commission has been advised by applicants' tariff agent that the general merchandise warehousemen involved have notified their storers, on or about December 19, 1969, as to the sought increase in utility warehouse rates and charges. Application No. 51461 was also listed on the Commission's Daily Calendar for November 6, 1969. No protests have been received.

The Commission finds that:

1. Applicants are experiencing increases in their utility warehouse operating expenses which are not reflected in the level of their established tariff rates and charges.
2. Applicants have demonstrated that additional revenue is needed to compensate for increased expenses which are not reflected in their present rates and charges.
3. It has not been shown on the record to date whether the sought increase in applicants' tariff rates and charges, other than the proposed ex parte increase in said rates and charges, is fully justified.

4. Applicants' proposed interim ex parte increase in their tariff rates and charges, as set forth in Part 1, Exhibit A of Application No. 51461, has been shown to be justified.

5. Public hearing should be held for the receipt of evidence concerning the further increases in applicant warehousemen's rates and charges as set forth in Part 2, Exhibit A of Application No. 51461.

We conclude that applicants' sought ex parte authority for an interim increase in rates and charges should be granted to the extent set forth in the order herein, and that public hearing should be held for the receipt of evidence concerning applicants' request for further upward revisions in their tariff rates and charges.

In view of the fact that the upward adjustments in applicants' labor and allied payroll expenses have been in effect for several months, the request for authority to establish the ex parte increase in rates and charges on not less than five days' notice to the Commission and to the public will be granted.

INTERIM ORDER

IT IS HEREBY ORDERED that:

1. Pending further order of the Commission, applicants are hereby authorized to (a) increase their rates and charges as proposed in Part 1, Exhibit A of Application No. 51461; and (b) to cancel certain tariff items designated in said Part 1, Exhibit A of the application as no longer serving a useful purpose. Tariff publications authorized to be made by 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 of 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 17th day of FEBRUARY, 1970.

William J. Lyons, Jr.
President

[Signature]

[Signature]

Vernon L. Stinson
Commissioners