

ORIGINAL

Decision No. 77334

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, KROWN TRANSPORTATION CO., doing business as AMERICAN WAREHOUSE, 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., CENTRAL TERMINAL WAREHOUSE CO., H.G. CHAFFEE COMPANY, CHARLES WAREHOUSE CO., INC. CITIZENS WAREHOUSE TRUCKING COMPANY, INC., CITY TRANSFER, INC., COLUMBIA VAN LINES, INC. OF CALIFORNIA, COMMERCE WAREHOUSE COMPANY, CONSOLIDATED WAREHOUSE COMPANY OF CALIFORNIA, DART PUBLIC WAREHOUSE, INC., DAVIES WAREHOUSE COMPANY, DEPENDABLE TRUCKING COMPANY, INTERAMERICAN WAREHOUSE CORPORATION, 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., OVERMYER OF LA MIRADA, 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 & TRANSFER COMPANY and PIONEER TRUCK COMPANY, doing business as STAR TRUCK AND WAREHOUSE CORPORATION, STATES WAREHOUSES, INC., STORECENTER, INC., SUPERIOR FAST DRAYAGE, TRULOVE TRANSFER & STORAGE, INC., UNION TERMINAL WAREHOUSE, USCO SERVICES, INC., VELTMAN WAREHOUSE CO., VERNON CENTRAL WAREHOUSE, INC., doing business as VERNON WAREHOUSE COMPANY, WEBER TRUCK AND WAREHOUSE, 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. 51473
 (Filed November 12, 1969;
 Amended January 28, 1970)

Arlo D. Poe, for applicants.

J. A. Williams, for Union Terminal Warehouse; Elmus

M. Ely, for Overland Terminal Warehouse Co.;

J. R. Thomas, for Davies Warehouse Co.; Nicholas

N. Weber, for Weber Truck & Warehouse; Clyde R.

Hoagland, for Redway Truck & Warehouse Co.;

Alexander M. Dickie, for California Warehouse

Company; and Jackson W. Kendall, for Bekins

Warehousing Corp., interested applicant

warehousemen.

James Quintrall, for Los Angeles Warehousemen's

Association, interested party.

Dale R. Whitehead, A. L. Gielegem and Robert W.

Stich, for the Commission staff.

O P I N I O N

By this application, as amended, 46 public utility warehousemen request authority for increases in their rates and charges for storage, in certain handling charges and in charges for various accessorial services.^{1/} The utility warehouse operations of applicants are for the dry storage of general commodities at warehouses located in the Metropolitan Los Angeles Area. Under applicants' rate proposal all rates for storage would be increased by 10 percent. Minimum storage charges would be increased from 75 cents to \$1.00 per lot per month and from \$10 to \$12 per account per month. Space rates, special labor charges, charges for loading and unloading rail cars and storage withdrawal rates are increased by various amounts under the rate proposal. Certain handling charges are also increased under applicants' proposal by amounts ranging from 1.7 percent to 15.4 percent. Generally, handling rates which do not include rail car unloading or withdrawals are not proposed to be increased.

^{1/} Applicants' rates and charges are published in the following tariffs: California Warehouse Tariff Bureau, Warehouse Tariffs Nos. 28-A and 29-A, Cal. P.U.C. Nos. 193 and 194, respectively, of Jack L. Dawson, Agent; M & M Transfer Co., Warehouse Tariff No. 15, Cal. P.U.C. No. 15 and Vernon Central Warehouse, Inc., Warehouse Tariff No. 6, Cal. P.U.C. No. 6, issued by Jack L. Dawson, Agent.

In the first amendment to the application, filed January 28, 1970, ex parte authority was requested to publish and make effective the proposed increases in all rates and charges other than the sought 10 percent increase in storage rates and charges. Decision No. 76878, dated March 3, 1970, granted the sought ex parte relief, pending the holding of public hearing for the receipt of additional evidence concerning the increases sought in applicant warehousemen's storage rates and charges.

Public hearings were held in this matter before Examiner Gagnon at Los Angeles on March 3 and 4, 1970, and the matter was submitted on the latter date. A representative of the Los Angeles Warehousemen's Association introduced evidence on behalf of applicants. Direct evidence was also presented by staff representatives of the Commission's Transportation Division and Finance and Accounts Division. The sought relief is not opposed.

The last general adjustment in applicants' rates and charges was made pursuant to the authority granted in Decision No. 75285, dated February 4, 1969, in Application No. 50558. Since the last general upward adjustment in applicants' rates and charges they have been required to absorb further substantial increases in their operating expenses. The greater part of such increases in expenses occurred as of July 1, 1969, at which time applicants' wage costs were significantly increased under the third and final phase of their current wage agreement with their employees.

The increase in applicants' cost of labor, as of July 1, 1969, was incurred primarily in the performance of warehouse services other than storage. Such costs are directly involved in the non-storage tariff rates and charges authorized to be increased by the

Commission's interim ex parte order in Decision No. 76878 of March 3, 1970. It is estimated that the ex parte increase authorized by said decision accounts for about 62.5 percent of the estimated increase in revenues sought by applicant warehousemen. The question remaining to be determined herein is whether the sought 10 percent increase in applicants' storage rates should now be authorized; thereby affording the applicant warehousemen an opportunity to realize the full amount of additional revenues sought in their overall rate proposal.

Comprehensive studies of the financial results of the utility warehouse operations involved were conducted by applicants and the Commission staff. Applicants' studies are predicated upon the results of their warehouse operations for the year 1968, adjusted to reflect published tariff rates and increased expenses as of July 1, 1969. The staff also presented financial studies of applicants' warehouse operations. Such studies were predicated upon the actual results of operations for a test year ending October 31, 1969, modified to reflect tariff rates and increased expenses as of July 1, 1969. The financial income statements submitted by applicants and the staff also demonstrated the projected revenue results anticipated under the proposed increase in applicants' rates and charges. The present and projected estimated results of operations, as developed by applicants and the staff, for eleven selected representative applicant public utility warehousemen are indicated by the resulting operating ratios set forth in the following table:

Table 1

Operating Ratios Computed For the Estimated Results of Operations Under the Present and Proposed Rates and Charges and Increased Expenses as of January 1, 1970, Based on Adjusted Historical Revenues and Expenses for 1968-1969

<u>Warehouse Co.</u>	<u>Operating Ratios (After Taxes)</u>					
	<u>Present</u>			<u>Proposed</u>		
	<u>1</u>	<u>2</u>	<u>3</u>	<u>1</u>	<u>2</u>	<u>3</u>
California	133.2%	99.0%	97.5%	123.8%	93.9%	94.0%
Davies	96.2	96.5	95.8	92.9	92.8	93.1
Interamerican	102.0	94.4	89.6	87.6	90.3	90.7
H. G. Chaffee	95.2	-	-	89.8	-	-
L.A. Transport	-	99.6	99.1	-	92.5	92.6
Metropolitan	98.0	98.3	97.6	91.0	94.2	94.4
Overland Terminal	104.1	106.5	109.7	96.2	99.3	99.1
Pacific Coast Terminal	97.7	99.5	99.1	94.2	95.4	95.5
Pacific Commercial	96.1	90.9	76.5	87.9	87.1	87.5
Redway Truck	98.3	96.3	95.8	94.0	92.0	92.1
Star Truck	104.3	89.5	83.1	93.9	84.0	84.7
Union Terminal	106.4	103.2	103.1	101.5	96.4	96.5
Total	101.6	98.4	96.9	95.1	93.7	93.6

Column 1: Applicants' Exhibit 4, Schedule D and F.
 " 2: Transportation Division Staff Exhibit 10.
 " 3: Finance and Accounts Division Staff Exhibits 9 and 11.

It will be observed from Table 1 that applicants' and the Commission staff estimates of the results of utility warehouse operations, under the total sought relief involved herein, are substantially the same overall. The projected estimated results of operations determined by the Commission's Finance and Accounts Division gives consideration to income tax credits for prior operating loss carryovers and actual income taxes paid by applicants, in lieu of computed taxes based on estimated results of utility warehouse operations. The Finance and Accounts witness further testified that, in view of the deceptive elements contained in the rate base of certain of the utility warehousemen involved, the rate of return is not considered to be a particularly good yardstick for measuring the financial

results of applicant warehousemen's operations. For this reason, the witness preferred the use of operating ratios as an index for measuring the estimated results of operations of applicant warehousemen under the relief sought herein. The deceptive rate base elements referred to by the staff financial witness concerned instances where it was necessary to compute individual utility warehouse rate bases differently due to the fact that in some cases plant facilities were owned by the warehousemen; while in certain other instances the warehouse plant facilities were rented from either (1) an affiliate or (2) a disinterested second party (so-called arm's length transaction).

Based upon the staff's studies and analysis of applicants' exhibits, the staff concludes that the proposed increases in rates and charges are justified. Such increases will provide applicants, as a group, with revenues that will not be excessive in relation to the expenses that reasonably can be expected to occur. In this connection the staff makes the observation that comparisons of projected operating results in prior proceedings with actual results for the same periods indicate that, although such projections of revenues and expenses provide reasonable estimates of the results of future operations of the representative warehousemen, the predicted results are generally more favorable than results actually realized.

The Commission finds that:

1. Applicants are experiencing increases in their utility warehouse operating expenses which are not reflected in their tariff rates and charges.
2. Applicants have demonstrated a need for additional revenues in connection with their public utility warehouse operations.

3. The sought 10 percent increase in applicants' storage rates and charges, in addition to the ex parte interim relief previously authorized by Decision No. 76878 in this proceeding, has been shown to be justified.

We conclude that:

1. Application No. 51473, as amended, should be granted to the extent the relief requested therein has not been previously authorized by Decision No. 76878.

2. Since the increases in applicants' labor costs and allied payroll expenses have been in effect for several months, the request for authority to establish the increased rates found justified in this proceeding on five days' notice to the Commission and the public should be granted. Applicants should also be authorized to depart from the provisions of General Order No. 61-A to the extent necessary to permit the increases authorized in this proceeding to be published in their tariffs in accordance with the method set forth in Exhibit 8.

O R D E R

IT IS ORDERED that:

1. Applicants are authorized to establish the increased rates and charges proposed in Application No. 51473, as amended, not previously authorized by Decision No. 76878 in this proceeding. 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 observe the following tariff procedures:

- (A) Increase the rates and charges applicable to storage in Sections A, B and C of California Warehouse Tariff Bureau Warehouse Tariff No. 28-A, and in Sections 1, 2 and 3 of California Warehouse Tariff Bureau Warehouse Tariff No. 29-A, by the publication of a surcharge rule in the respective tariffs, reading substantially as follows:

"Except as otherwise shown in connection with individual items, all charges accruing for storage under rates and charges named in Sections _____, _____ and _____ of the tariff are subject to a surcharge of 10%. The surcharge will be applied as follows:

"Compute the total charge under the applicable rates and charges and increase such total charge by 10%; resulting fractions of less than 1/2 cent will be dropped and fractions of 1/2 cent or greater will be increased to the next whole cent."

- (B) Disposition of fractions in connection with the publication of storage rates and charges in Sections A, B and C of Tariff 28-A and Sections 1, 2 and 3 of Tariff 29-A will be made as follows:

Drop fractions of less than 1/2 mill and increase fractions of 1/2 mill or greater to the next whole mill.

- (C) Increase storage rates and charges set forth in Vernon Central Warehouse, Inc., doing business as Vernon Warehouse Company Warehouse Tariff No. 6 by the same method shown in paragraph (B) above.

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 9th day of JUNE, 1970.

William S. Jones, Jr.
President
August
J. P. [unclear]
[unclear]
Vernon L. Sturgeon
Commissioners