

Decision No. 78120**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of DREISBACH COLD STORAGE CO.,)
GROWERS' REFRIGERATION COMPANY,)
EASLETT COMPANY, MERCHANTS ICE)
AND COLD STORAGE COMPANY,)
SCHAEFER'S MEATS, UNION ICE &)
STORAGE COMPANY, UNITED COLD)
STORAGE AND UNITED STATES COLD)
STORAGE OF CALIFORNIA, for an)
increase in Rates.)

Application No. 52095
(Filed August 3, 1970)

Vaughan, Paul & Lyons, by John J. Lyons, Attorney
at Law, for applicants.
William D. Mayer, for Cannery League of California,
interested party.
Robert W. Stich, Lloyd M. Humphrey and B. I. Shoda,
for the Commission staff.

O P I N I O N

By this application, eight cold storage warehousemen, maintaining utility cold storage warehouse operations in the San Francisco Bay area, seek authority to increase their rates and charges for the storage and handling of commodities requiring refrigeration by 15 percent, except the lot delivery tariff charge of \$1.00 applicable to deliveries of less than 1500 pounds.^{1/} By Decision No. 77702, dated September 1, 1970, in Application No. 52095, applicants were authorized to apply an interim 5 percent surcharge to their established tariff rates and charges pending public hearing in this matter.

^{1/} The rates and charges proposed to be increased are published in California Warehouse Tariff Bureau Cold Storage Warehouse Tariff No. 18, Cal. P.U.C. No. 227, of Jack L. Dawson, Agent, and Growers' Refrigeration Company Cold Storage Warehouse Tariff No. 3, Cal. P.U.C. No. 3.

Public hearing of Application No. 52095 was held and the matter was submitted before Examiner Gagnon at San Francisco on November 12, 1970. Evidence was introduced by applicants' tariff agent. Applicants have notified their storers of the proposed increase in rates and charges. While some concern over the relief sought herein has been informally expressed, no one appeared or presented evidence in opposition to the sought relief.

Aside from the 5 percent interim surcharge authorized by Decision No. 77702 in this proceeding, applicants' present level of rates was established by Decision No. 73837, dated March 12, 1968, in Application No. 49750. The cold storage rates and charges authorized by said decision became effective on April 10, 1968. Since that time, it is alleged that the utility warehousemen involved have experienced steady increases in their cold storage operating costs. For example, it is noted that applicants experienced a 25 cents per hour increase in warehouse labor on June 1, 1968; an additional 20 cents per hour increase in labor became effective on June 1, 1969; and during 1970 a new three-year labor contract was negotiated which called for an increase in wage costs of 59 cents per hour as of June 1, 1970. The escalator wage provisions of the existing three-year labor contract also call for applicants' warehouse employees to receive further hourly wage increases of 36 cents and 43 cents during 1971 and 1972, respectively.

In justification of the sought increase applicants submitted financial and statistical statements pertaining to the results of their utility warehouse operations. Said statements were appended to the application as Exhibits A through E, and were utilized by applicants' witness as a basis for his oral testimony in support of the relief sought herein. A summary of applicants' estimated results of utility warehouse operations, under present and proposed rates, for the year 1969 and a projected future rate year, is hereinafter set forth:

Table 1

Estimated Results of Utility Cold Storage Operations
Of Five Applicant Warehousemen, Having Revenues In Excess
Of \$100,000, Under Present and Proposed Rates
For the Year Ending December 31, 1969, And A
Projected Future Rate Year. (See Note)

1. Present Rates - Actual Expenses

Revenues - Actual (12-31-69)	\$2,643,589
Expenses - Actual (12-31-69)	2,546,013
Operating Ratio (After Taxes)	96.3%

2. Present Rates - Revised Expenses

Revenues - Actual (12-31-69)	\$2,643,589
Expenses - Revised (6-1-70)	2,641,976
Operating Ratio (After Taxes)	99.9%

3. Proposed Rates - Revised Expenses

Revenues - Proposed	\$3,019,257
Expenses - Revised (6-1-70)	2,786,996
Operating Ratio (After Taxes)	92.3%
Estimated Rate of Return (After Taxes)	4.5%

Note: The five selected utility warehousemen are:

1. Dreisbach Cold Storage Co.
2. Growers Refrigeration Co.
3. Merchants Ice & Cold Storage Co.
4. United Cold Storage
- * 5. United States Cold Storage of Calif.

* Revenues and expenses are for
the year ending 4-30-70

The tariff agent stated that the operating results of the five selected utility cold storage warehousemen set forth in Table 1 hereof reflect approximately 95 percent of applicants' overall gross revenues. It will also be noted that the results of operations, under present and proposed rates, are predicated upon wage and allied payroll expenses generally effective as of June 1, 1970. From a review of Exhibits D and E, appended to the application, and Exhibit 1 of Witness Jack L. Dawson, the following general conclusions may be drawn relative to the increase in warehouse operating expenses experienced by applicants since their tariff rates and charges were last generally revised:

1. Labor expenses have increased 15.3 percent. Said expenses reflect about 52 percent (Warehouse plant labor 40 percent, General & Administrative Salaries 12 percent) of applicants' total operating expenses.
2. Expenses other than labor have increased some 27.5 percent. Said expenses reflect about 43 percent of applicants' total operating expenses.
3. Applicants have experienced an overall average increase of about 6.3 percent as a result of upward adjustments in the cost of labor; and approximately 13.1 percent increase in expenses other than labor.
4. Applicants' sought 15 percent increase in rates will fully cover the increased cost of labor as of June 1, 1970, and partially offset the increases experienced in expenses other than labor.

The Commission finds that:

1. Applicants' present tariff rates and charges do not provide revenues sufficient to meet the expenses incurred in providing public utility warehouse services.
2. Applicants have demonstrated a need of additional revenues for their public utility warehouse operations.

A. 52095 ds

3. The proposed rates will not produce excessive earnings for applicants.

4. The proposed increases in rates and charges have been shown to be justified.

The Commission concludes that Application No. 52095 should be granted. In authorizing the proposed increases, the Commission does not make any finding of fact as to the reasonableness of any particular rate or charge.

O R D E R

IT IS ORDERED that:

1. Applicants are authorized to establish, in lieu of the 5 percent interim surcharge granted by Decision No. 77702, the increase in rates and charges otherwise proposed in Application No. 52095. 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 of this order 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 one-half mill will be dropped and fractions one-half mill and greater will be raised to the next whole mill.

(b) Where the resulting rate is ten cents or over, fractions less than one-half cent will be dropped and fractions one-half 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 constitutes 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 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 22nd day of DECEMBER, 1970.

[Signature]
Chairman
[Signature]
William Lyons-Jr.
[Signature]
Vernon L. Sturgeon
Commissioners