

ORIGINAL

Decision No. 78613

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of FLOUR, INC.,
a California corporation, under
Section 454 of the Public
Utilities Code for authority to
increase public utility warehouse
rates.

Application No. 51641

(Filed January 22, 1970;
Amended April 15, 1970,
and December 22, 1970)

O P I N I O N

Flour, Inc., operates as a public utility warehouseman in the City of Vernon. It also engages in various operations as a for-hire highway carrier.

By Decision No. 77730, dated September 15, 1970, on this application it was authorized to effect increases of 30 percent in the rates and charges for its warehousing services. These increases were authorized as an interim measure pending further consideration of the full amount of the rate increases which Flour, Inc., sought, namely, increases of about 62 to 114 percent, with certain exceptions.

On December 22, 1970, Flour, Inc., amended its application and now asks that it be authorized to effect an increase of 45 percent in the rates and charges for its so-called accessorial services.^{1/} Said increases would be in addition to the increases authorized by Decision No. 77730 but would be in lieu

^{1/} Applicant's accessorial services include such services as sorting, repiling, weighing, sampling, reconditioning, and stenciling; also, loading merchandise into, or unloading merchandise from, railroad cars.

A. 51641 - SW

of the increases in rates and charges which Flour, Inc. has otherwise requested in this proceeding.

Applicant states that since the issuance of Decision No. 77730 it has concluded that it should accomplish a thorough revision of its tariff. For that purpose it is undertaking an extensive study of its warehousing operations. Pending the completion of said studies and of the proceedings by which the intended tariff revisions may be effected, it seeks increases in its accessorial rates and charges in order that its revenues from its warehousing operations in the meantime will approximate the costs thereof.

Applicant reports that the financial results of its warehousing operations for the year which ended with September 30, 1970, were as follows:

Revenues	\$222,851
Expenses	<u>306,106</u>
Loss	\$ 83,255
Operating Ratio (Calculated)	137.4%

It states that as of September 7, 1970, it had to grant increases in wages, salaries and related costs; that it has also had to absorb certain other cost increases; and that as a consequence the level of its annual operating costs is about \$33,000 greater than that which prevailed during the year through September, 1970.^{2/}

^{2/} For the purposes of convenience, the term "year 1970" will be used hereinafter to designate the fiscal year which ended with September, 1970.

A. 51641 - SW

On the basis of the warehousing services which it provided during the year 1970, applicant estimates that the increases in rates which it effected pursuant to Decision No. 77730 would result in an increase in annual revenues of about \$67,000. Adjustment of applicant's revenue and expense figures for said year to reflect the aforesaid cost and revenue increases would result in the following data:

Revenues	\$289,851
Expenses	<u>339,106</u>
Loss	\$ 49,255
Operating Ratio	117.0%

Hence, it appears that even under the increased rates and charges authorized by Decision No. 77730, applicant's operations are resulting in substantial losses.

Applicant estimates that the increased accessorial rates and charges which it seeks to establish would produce an increase of almost \$26,000 in its annual revenues. Estimated operating results, based on operations during the year 1970 would be as follows:

Revenues	\$315,718
Expenses	<u>339,116</u>
Loss	\$ 23,398
Operating Ratio (Calculated)	107.4%

A projection of applicant's financial operating results under the proposed rates was also provided by the Division of Finance and Accounts of the Commission's staff. This projection

was developed from a review of applicant's operations and records which the staff conducted in connection with this matter. The staff's report thereon is made part of the record herein as Ex Parte Exhibit No. 1.

In the course of the staff's review applicant's records were analyzed and tested to determine the correctness of allocations between charges to applicant's warehouse operations, on the one hand, and to applicant's other operations on the other hand and adjustments were made where necessary. Cost analyses were made of some of the warehousing services which applicant provides as accessorial services. According to said cost analyses, the costs of the services analyzed exceed the revenues earned from said services by amounts in excess of the additional revenues which would accrue under the increased accessorial rates which applicant herein seeks.

The estimate of financial results of applicant's warehouse operations which the staff developed on the basis of said operations during the year 1970, adjusted to reflect the increased costs and the additional revenues under the sought rates, is as follows:

Revenues	\$315,652
Expenses*	<u>309,707</u>
Net Operating Revenues	\$ 5,945
Operating Ratio	98.1%

*Includes provision for income taxes.

It is evident from comparison of the foregoing estimates of applicant's financial operating results under the sought rates that the staff's forecast portrays a more favorable earnings position than does that of applicant. It is also evident, however, that even if applicant realizes the earnings which are represented in the staff's estimate, said earnings would be below a reasonable and sufficient level for the warehousing services involved. In the circumstances resolution of the differences between the estimates is not necessary.

In view of applicant's and the staff's showings of estimated operating results under the sought rates, and in view also of the staff's showing that the costs of representative accessorial services would continue to exceed the revenues which the revenues from said services would return, the Commission finds that increases as sought in applicant's rates for the so-called accessorial services have been shown to be justified. The application should be granted.^{3/}

Applicant asks that the authority to increase its accessorial rates and charges be granted by ex parte order. It states that all of its patrons were notified of the proposed increases and were requested to communicate with the Commission if they had

^{3/} Applicant's proposals to increase its accessorial rates by 45 percent were subject to a limitation that the resultant rates would not exceed those which apply for like services under provisions published in California Warehouse Tariff Bureau Warehouse Tariff No. 28-A, Cal. P.U.C. No. 193 (Jack L. Dawson, Agent), pursuant to Decision No. 77334, dated June 9, 1970. The rate-increase authority herein-after granted will be so limited.

any representations to make with respect thereto. No such communications have been received by the Commission. A public hearing on applicant's further rate increase proposals does not appear necessary.

In view of the needs of applicant for additional revenues to meet its operating costs, applicant should be permitted to exercise the authority hereinafter granted on not less than five days' notice to the Commission and to the public.

O R D E R

IT IS ORDERED that:

1. Flour, Inc., is authorized to effect an increase of 45 percent in the rates and charges in its Warehouse Tariff No. 1, Cal. P.U.C. No. 1, for accessorial services (services other than storage and/or handling). 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.

NOTE: The increased rates and charges which are established under the authority herein granted shall not exceed those which apply for like services under provisions published in California Warehouse Tariff Bureau Warehouse Tariff No. 28-A, Cal. P.U.C. No. 193 (Jack L. Dawson, Agent) pursuant to Decision No. 77334, dated June 9, 1970, in Application No. 51473.

2. The authority herein granted is subject to the express condition that applicant 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 consent to this condition.

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 five days after the date hereof.

Dated at Los Angeles, California,
this 27th day of APRIL, 1971.

William J. ... Chairman
J. P. Vukasin, Jr.
...
... Commissioners

Commissioner J. P. Vukasin, Jr., being necessarily absent, did not participate in the disposition of this proceeding.

Commissioner Vernon L. Sturgeon, being necessarily absent, did not participate in the disposition of this proceeding.