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Decision No. 78656

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
RED LINE WAREHOUSES, INC. for an )  
Increase in Rates. )

Application No. 52512  
(Filed March 22, 1971)

OPINION AND ORDER

Red Line Warehouses, Inc., operates approximately 65,000 square feet of public utility warehouse space for the dry storage of general commodities at San Jose, California. Applicant seeks authority for an increase in its established storage rates and charges.

Applicant's present rates, rules and charges for the utility storage of general merchandise at San Jose, California, are contained in California Warehouse Tariff Bureau (CWTB) Warehouse Tariff No. 35, Cal. P.U.C. No. 184 of Jack L. Dawson, Agent, and in Red Line Warehouses, Inc., Warehouse Tariff No. 1, Cal. P.U.C. No. 1. It is contended that, in order to continue in business and render an adequate and efficient service to the public, the following revisions in applicant's current rate structure are required:

1. Cancel Red Line Warehouses, Inc. participation in CWTB Tariff No. 35, Cal. P.U.C. No. 184.
2. Adopt CWTB Warehouse Tariff No. 55, Cal. P.U.C. No. 231.
3. Establish in Rule 125, Paragraph (b) of CWTB Tariff No. 55 an hourly charge for forklift equipment of \$3.96, subject to a minimum charge of \$1.32.
4. Bring forward into Tariff No. 55 the present Item 425 of CWTB Tariff No. 35 which applies to Office Machines and Machinery, Office Furniture, etc., stored in assortment for a single account.

The Red Line Warehouses, Inc., has been a party to CWTB Tariff No. 35 since August 31, 1959, and its rates have continued in effect since that time without a general increase. On the other hand, the higher level of rates and charges contained in CWTB Tariff No. 55, which applicant now seeks authority to adopt on its own behalf, has applied in the San Jose area since August 19, 1968. The CWTB Tariff No. 55 rates and charges which applicant proposes to adopt herein also apply to the utility storage operation of two other public warehousemen located in the San Jose area.<sup>1/</sup> Utility warehousemen participating in CWTB Tariff No. 55 and CWTB Tariff No. 52 were recently authorized to increase their charges by 5 percent.<sup>2/</sup>

Applicant explains that since its present level of rates was established in 1959 the cost of operations has materially increased to the point that Tariff No. 35 level of rates no longer yield sufficient revenues to permit warehouse operations to be conducted at a reasonable profit. Financial statements, designed to show the estimated results of applicant's utility warehouse operations under the proposed increase in rates and charges, are attached to the application (Exhibits A & B) in support of the sought relief. A summary and analysis of applicant's aforementioned computations are hereinafter set forth:

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<sup>1/</sup> Consolidated California Terminals, Inc., and Cristina Warehouse Co., Inc.

<sup>2/</sup> Decision No. 78496, dated March 30, 1971, in Application No. 52429.

TABLE 1

Estimated Results of Red Line Warehouses, Inc.,  
Utility Warehouse Operations at San Jose, Calif.,  
Under Applicant's Rate Proposal and Adjusted  
Expenses As of July 1, 1971

Account Description	Column 1 1970 Annual Report	Column 2 1970 Adjusted	Column 3 Projected Future Rate Year
Revenue	\$113,469	\$113,469	\$124,834
Expenses - Warehouse	\$113,131	\$ 95,827	\$ 95,827
Income Taxes (State & Federal)	152	4,845	8,479
Expenses (After Taxes)	\$113,283	\$100,672	\$104,306
Profit (After Taxes)	\$ 186	\$ 12,797	\$ 20,528
Operating Ratio (After Taxes)	99.8%	88.7%	83.6%
Rate Base	\$ 60,883	\$312,210	\$312,816
Rate of Return (After Taxes)	.3%	4.1%	6.6%

Columns 2 and 3 Adjustments:

- (1) Landlord costs of \$22,873 substituted for affiliated rent of \$46,091.
- (2) Labor cost modified to reflect teamster wage adjustments of April 1, 1970; July 1, 1970; January 1, 1971; and July 1, 1971.
- (3) Rate Base includes depreciated value of property and equipment owned by both the applicant warehouseman and its affiliate plus allowance for working capital based on 2 months' expenses less depreciation expense.

As shown in Table 1, applicant's 1970 Annual Report indicates that Red Line Warehouses, Inc., experienced an operating ratio of 99.8 percent and a rate of return of .3 percent on net value of property and equipment owned by the warehouse operating company. It is explained that in 1966 applicant moved into its present warehouse facility which was constructed by an affiliate during the same year. Applicant adjusted its 1970 computations (Table 1, Column 2) so as to reflect the affiliate's landlord costs instead of the plant rent paid by applicant to said affiliate. Such adjustment has the effect of materially improving applicant's 1970 operating ratio from 99.8

percent to an adjusted ratio of 88.7 percent. This is particularly noteworthy considering that the 1970 revenues of Red Line Warehouses, Inc., were generated from a level of rates originally established in 1959. It is applicant's contention, however, that a rate of return of 4.1 percent after taxes, based on a consolidated rate base for applicant and its affiliate, constitutes an inadequate return for the year 1970.

As previously noted, the higher level of rates sought to be established by Red Line Warehouses, Inc., presently published in CWTB Tariff No. 55, has been in effect since August 19, 1968. It is estimated (Table 1, Column 3) that under applicant's rate proposal an operating ratio of 83.6 percent and a rate return of 6.6 percent, after taxes, is anticipated for a projected future rate year. Also as previously noted, other San Jose warehousemen have been authorized by Decision No. 78496 to increase their rates and charges by a 5 percent interim surcharge in light of their financial operating experience. Applicant's ability to absorb increases experienced in its warehouse operating costs, from revenues earned under a level of rates and charges established in 1959, is not explained. The fact that five principal storers account for 96 percent of applicant's present business no doubt makes for efficiencies of operations not readily available in other more diversified operations.

Applicant's storers have been informed of the relief sought. The aforementioned principal storers, accounting for 96 percent of applicant's present business, have written letters of approval (Exhibit C) to the ex parte handling of this matter. The Commission's Transportation Division staff recommends that, in the absence of protests, applicant's rate proposal be granted by ex parte order. Application No. 52512 was listed on the Commission's Daily Calendar

of March 24, 1971. No objections to the granting of the sought ex parte relief have been received.

The Commission finds that:

1. Applicant's present rates, rules and charges for the utility storage of general merchandise of San Jose, California, are contained in California Warehouse Tariff Bureau Warehouse Tariff No. 35, Cal. P.U.C. No. 184 of Jack L. Dawson, Agent. The rates and charges provided in said tariff were last generally adjusted on August 31, 1959.

2. Applicant has experienced increases in utility warehouse operating expenses which were not considered when the level of its present tariff rates, rules and charges were last generally adjusted.

3. The rates and charges contained in California Warehouse Tariff Bureau Warehouse Tariff No. 55, Cal. P.U.C. No. 231 of Jack L. Dawson, Agent, which applicant now seeks to adopt with certain additional amendments, were last generally adjusted as of August 19, 1968.

4. The increases resulting under applicant's rate proposals will not yield excessive revenues and have been shown to be justified.

We conclude that Application No. 52512 of Red Line Warehouses, Inc., should be granted. A public hearing is not necessary.

IT IS ORDERED that:

1. Red Line Warehouses, Inc., is hereby authorized to cancel its participation in California Warehouse Tariff Bureau Warehouse Tariff No. 35, Cal. P.U.C. No. 184 and, at the same time, to adopt and have published on its own behalf, in California Western Tariff Bureau Warehouse Tariff No. 55, Cal. P.U.C. No. 231, the rates, rules (except Rule No. 185) and charges as requested in Application No. 52512.

2. Tariff publications authorized to be made by 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.

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 sixty 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 11th day of MAY, 1971.

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Chairman  
  
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Commissioners