

ORIGINAL

Decision No. 78750

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 YUBA CITY REFRIGERATING COMPANY for)
 an order authorizing a revision in)
 rules covering hours of service,)
 labor and fork-lift tariff, cold)
 storage space leasing, loading and)
 unloading charges, rates for cannery)
 stock, table fruits, various animal)
 products and merchandise not other-)
 wise specifically covered.)

Application No. 52473
 (Filed March 1, 1971;
 Amended April 2, 1971)

OPINION AND ORDER

Yuba City Refrigerating Company operates a cold storage warehouse of approximately 1,600,000 cubic feet in Yuba City. Applicant's current rates, rules and charges are contained in its Warehouse Tariff Cal. P.U.C. No. 8, effective September 25, 1961, as subsequently adjusted by Decisions Nos. 62427 and 73967, dated August 15, 1961 and April 9, 1968, respectively. Applicant now seeks authority to increase various storage and handling rates, rules and charges named in its tariff. The reasons submitted by applicant for the sought tariff revisions are summarized below:

1. Hours of Service - Warehouse Tariff Rule 45, effective September 25, 1961:

Reducing service to five days per week, other than during the harvest season, is justified because the cost of providing the extra day's service should be borne by the customer requiring the extra service. Shifting the extended hours of regular service during the harvest season will make the period more precisely coincide with the actual peak operating period.

The rates for overtime penalty and for waiting and call time will be made equal to the rates established for Special Labor. Assessing an overtime penalty on cannery

stock on a unit basis is a more practical method of arriving at this charge. The problem of keeping track of man hours by customer and by commodity is most difficult and subject to error. Time studies have indicated the unit charge basis would be more equitable.

The proposed increase would be 25 percent.

2. Labor and Fork-Lift Charges - Warehouse Tariff Rule 55, effective August 15, 1968:

For the year ending December 31, 1970, applicant's average cost per man hour of warehouse labor at straight time was \$4.09 including payroll taxes, insurance and welfare benefits but without allocation for supervision, pension costs or profit. The source of supply of qualified labor available to applicant is a local market in which applicant must compete with the local canning industry and meat packing industries which also happen to be applicant's major customers. Because of this competitive position, applicant has been required to grant wage and salary increases of 15 percent and pension increases of 12 percent since 1968 when the present rate for labor became effective. An additional increase of 10 percent is certain during 1971 for warehouse labor.

The proposed rates are not higher than competitive rates in applicant's operating area.

The proposed increase would be 25 percent.

3. Leasing of Cold Storage Space - Warehouse Tariff Rule 65, effective March 30, 1947:

Since Rule No. 65 was established in 1947, administrative salaries have risen 342 percent, the cost of engine room labor has risen 327 percent, the cost per kilowatt of electric power has risen 138 percent, the unit cost for sewer and water has risen 360 percent, and the cost of fire insurance has risen 150 percent. A comparative analysis of the revenue received from this and other comparable rates indicates that an increase of 14 percent is necessary to make the rate share fairly in increased costs and provide a reasonable profit.

4. Unloading and Loading Trucks - Warehouse Tariff Rule 140, effective May 14, 1953:

Since 1953, applicant's cost of warehouse labor has increased 131 percent before allocation for supervision and profit. The proposed increase takes into consideration certain gains in efficiency developed in the performance of this service

The proposed increase would be 22 percent.

5. Cannery Stock Rates - Warehouse Tariff Item 1, effective March 1, 1947:

Since these rates were established in 1947, costs for warehouse and engine room labor have risen over 325 percent, cost per kilowatt of electric power has risen 138 percent, fire insurance rates have risen over 150 percent, and water and sewer rates have risen 360 percent. During the intervening year, savings in operating costs have been made through automation, more efficient handling equipment and improved operating procedures. These past savings have now been completely absorbed by continually rising costs.

The proposed increase would be 10 percent and the resulting rates are in line with competitive rates in the area.

6. Fruits, Fresh, Deciduous Table - Cooler - Warehouse Tariff Item 2, effective March 1, 1949:

Since these rates were established in 1949, applicant's costs per unit of warehouse and engine room labor have increased 315 percent, the cost per kilowatt of electric power has risen 130 percent, fire insurance rates have risen 150 percent and the rates for sewer and water have risen 360 percent. During past years, savings in operating costs have been made through automation, more efficient handling equipment and improved operating procedures. These past savings have now been completely absorbed by continually rising costs. Occupancy of storage space by table fruit is limited because of the necessary segregation of this item by label, container and size marks.

The proposed increases range between 16-1/2 percent and 12-1/2 percent and the resulting rates are in line with competitive rates in the area.

7. Meats, Fresh Bones, Poultry and Rabbits - Freezer - Warehouse Tariff Items 4 and 9, effective March 1, 1949:

Since these rates were established in 1949, applicant's unit cost for warehouse and engine room labor has risen over 315 percent, the cost per kilowatt of electric power has risen 130 percent, fire insurance rates have risen over 150 percent, and the unit cost of sewer and water has risen 360 percent. During past years savings in operating costs have been made through automation, more efficient handling equipment and improved operating procedures. These past savings have now been completely absorbed by continually rising costs.

The proposed increase would be 10 percent and the resulting rates are in line with competitive rates in the area.

8. Merchandise, NOS - Cooler - Warehouse Tariff Item 6, effective March 1, 1949:

The reasons for the proposed 10 percent increase in cooler rates are the same as those furnished for table fruits (Paragraph 6).

9. Merchandise, NOS - Freezer - Warehouse Tariff Item 7, effective March 1, 1949:

The reasons for the proposed 10 percent increase in freezer rates are the same as those furnished for meat and poultry (Paragraph 7).

Applicant submitted various financial statements in support of the sought increase. It is estimated that the rate proposal will produce approximately \$22,000 in additional revenues or about a 7.29 percent increase over applicant's revenues for 1970. Yuba City Refrigerating Company's 1970 results of operations, under present and proposed rates and expenses adjusted to reflect current 1971 cost levels, are summarized in Table 1 below:

Table 1

| | <u>Present Rates</u> | <u>Proposed Rates</u> |
|--------------------------------------|--------------------------|---------------------------|
| Operating Revenues | <u>\$297,434</u> | <u>\$318,971</u> |
| Operating Expenses | | |
| Adjusted Direct Expenses | 196,622 | 196,622 |
| Adjusted Adm. & Gen'l. Expenses | <u>101,660</u> | <u>101,660</u> |
| Operating Income (Loss) Before Taxes | \$ (848) | \$ 20,689 |
| Operating Income After Taxes | - | 9,311 |
| Rate Base | - | \$401,483 |
| Rate of Return After Taxes | - | 2.3% |

With the exception of certain handling or accessorial service charges, applicant's current cold storage rates have been in effect for a period of some twenty years. It is evident, from Table 1 above, that applicant's present level of rates is not longer capable of sustaining the substantial increases in operating costs experienced by Yuba City Refrigerating Company over the past twenty years. It is also clear that the additional operating revenues anticipated under applicant's proposed rate increase will enable the utility warehouse operations involved to earn only a marginal level of profit.

The Commission's Transportation Division staff has reviewed the application, as amended, and suggests that, in the absence of protest, the sought relief be granted by ex parte order. The application was listed on the Commission's Daily Calendar of March 2, 1971. No objection to the granting of Application No. 52473, as amended, has been received.

The Commission finds that:

1. Applicant's present cold storage tariff rates and charges have, with few exceptions, been in effect for a period of some twenty years. Since such tariff rates and charges were established, Yuba City Refrigerating Company has sustained numerous substantial increases in its warehouse operating costs.
2. Applicant has demonstrated a need for additional revenues for its public utility warehouse operations.
3. The proposed increases in applicant's tariff rates, rules and charges have been shown to be justified.

The Commission concludes that Application No. 52473, as amended, should be granted. A public hearing is not necessary. In authorizing the proposed increases, the Commission makes no finding of fact as to the reasonableness of any particular rate, rule or charge.

IT IS ORDERED that:

1. Yuba City Refrigerating Company is hereby authorized to publish the tariff rates, rules and charges as requested in its Application No. 52473, as amended.
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 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 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 Diego, California, this 7th day of JUNE, 1971.

[Signature]
Chairman
[Signature]
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Verna L. Sturgeon
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Commissioners