

Decision No. 80032

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
HOPPER MACHINE WORKS, INC., doing)
business as BAKERSFIELD ICE & COLD)
STORAGE COMPANY, and KERN ICE &)
COLD STORAGE CO., for an increase)
in rates. }

Application No. 53216
(Filed March 21, 1972)

O P I N I O N

Applicants are engaged, among other things, in the business of a public utility warehouseman at locations in Bakersfield. Applicants perform freezing, cold storage, handling and related services under tariffs filed with this Commission listed in the margin.^{1/} Applicants collectively operate approximately 135,000 square feet of warehouse space in locations covered by the application.

The application alleges that applicants' present rates for the storage and handling of poultry and rabbits (received frozen) do not yield revenues sufficient in amount to allow applicants to conduct their warehouse operations at a reasonable profit, and that in order to obtain necessary revenues to enable applicants to place their poultry and rabbit business on a more compensatory level they require increases in rates as sought in the application. The application requests that storage and handling rates set forth in Item 170 of Cold Storage Tariff No. 15 be increased by various amounts ranging from 10 to 26 percent, and that certain "dead" rates be cancelled.

1/ California Warehouse Tariff Bureau:

- (a) Cold Storage Warehouse Tariff No. 15, Cal. P.U.C. No. 159 of Jack L. Dawson, Agent.
- (b) Cold Storage Warehouse Tariff No. 12, Cal. P.U.C. No. 87 (L. A. Bailey series) of Jack L. Dawson, Agent.
- (c) Quick Freeze Cold Storage Tariff No. 1-A, Cal. P.U.C. No. 154 of Jack L. Dawson, Agent.

The application contains the following statement of reasons why the sought rate adjustment is necessary:

For the past year and a half, only a minor amount of poultry storage has been received under Item 170 of Cold Storage Warehouse Tariff No. 15. The overall billing under Item 170 for the account of Bakersfield Ice & Cold Storage Co. has been between \$6.00 and \$8.00 per month during the past year, and little if any poultry storage for the public occurred under this item for the account of Kern Ice & Cold Storage Co. (Kern Ice) for the past 18 months. The Bakersfield Poultry Company, however, did lease a sizeable amount of space from Kern Ice for the past year and a half, in which they conducted their own storage and handling operations, with Kern Ice furnishing only space and refrigeration under lease. In this lease operation Kern Ice had no responsibility or accountability for the product and performed none of the handling. For this lease service during the year ended October 31, 1971, Kern Ice received an annual revenue of \$61,328. The Bakersfield Poultry Company now desires to have Kern Ice handle its storage business as a warehouseman and has given its approval to the proposed rates. It is estimated that the annual revenue Kern Ice will receive for this account under the proposed rates will amount to \$89,760 and its increased labor expense alone for the servicing of this account will amount to approximately \$29,000, which it is estimated would be close to the cost of handling experienced by the Bakersfield Poultry Company in the handling of its own product in warehouseman's leased space. Under the proposed rates it is estimated that the storage revenue will return to Kern Ice approximately \$55,440, and the handling rates will return \$34,320, making a total return of \$89,760 as against their space lease of \$61,328, plus the tenant's cost of approximately \$29,000, or a total of \$90,328. In other words, under the proposed rates the Bakersfield Poultry Company will experience approximately the same cost as it experienced by leasing the space and performing its own labor.

Bakersfield Poultry Company will tender to the warehouseman buildup lots which will exceed the 10,000 pounds lot minimum. However, the outbound distribution will be made in small shipments to the Los Angeles market area, necessitating a distribution type of picking operation by the warehouseman on outbound shipments.

The application further alleges that the present rates in Cold Storage Warehouse Tariff No. 15 applicable to poultry have been in effect since 1956 without change, and the present rate for lots of 10,000 pounds or more prior to 1956 was either the same as the present rate or higher. The application states that from 1956 until the present time, applicants have sustained an increase of approximately 104 percent in their handling labor cost, accompanied by a steadily-rising inflationary cost in expenses other than labor; for example, the average labor cost per hour in 1956, not including paid time not worked, such as vacations, holidays, etc., was \$1.86 per hour, whereas at the current time the labor cost per hour is in excess of \$3.80, not taking into consideration paid time not worked.

Financial statements of applicants are attached to the application. For the year ended May 31, 1971, Bakersfield Ice & Cold Storage Co. showed a revenue for public utility warehouse operations of \$7,131.74 with an accompanying expense of \$14,750.89, resulting in a loss of \$7,619.15. For the year ended October 31, 1971, Kern Ice showed a revenue of \$155,381 from both its public utility warehouse operation and non-utility lease operation. This was accompanied by an overall expense of both operations of \$143,903 before income taxes, resulting in a profit of \$11,478. The application asserts that approximately 45 percent of Kern Ice revenue was received from profitable non-utility leases which accounted for the small profit resulting in an operating ratio before taxes of 92.6 percent. The application asserts that had Kern Ice for the fiscal year ended October 31, 1971 handled the Bakersfield Poultry account as a public utility warehouseman under the proposed rates

as set forth in this application, in lieu of the non-utility leasing arrangement which was then in effect, Kern Ice would have enjoyed a revenue of \$183,813 against an estimated expense of \$172,903, resulting in a profit of \$10,910 and an operating ratio of 94 percent before income taxes; in other words, at the proposed rates Kern Ice's financial position will remain substantially the same as prevailed when the account was handled on a lease basis.

Notice of the filing of the application appeared on the Commission's Daily Calendar. No protest or request for public hearing has been received. As indicated above, the principal user of the warehouse service to which the proposed rates will apply approves of the rates sought herein.

Based on the foregoing, the Commission finds:

1. A public hearing is not necessary.
2. The increases in rates sought in the application are justified.

The Commission concludes that the sought increased rates should be granted and that applicants should be permitted to establish the increased rates on ten days' notice.

O R D E R

IT IS ORDERED that:

1. Applicants Hopper Machine Works, Inc., doing business as Bakersfield Ice & Cold Storage Company, and Kern Ice & Cold Storage Co., are authorized to establish the increased rates on frozen poultry and rabbits sought in Application No. 53216.

2. Tariff publications authorized to be made as a result of the order herein shall be filed not earlier than the effective date of this order and may be made effective not earlier than ten days after the effective date hereof on not less than ten days' notice to the Commission and the public.

3. The authority granted herein will expire unless exercised within ninety days after the effective date of this order.

4. Inasmuch as increases are involved, Appendix A to this order contains a certification as required under the Code of Federal Regulations.

The effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco California, this 9th
day of MAY, 1972.

Chairman

Vernon L. Stinger

Commissioners

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DATA REGARDING INCREASE IN COLD STORAGE WAREHOUSE RATES
AUTHORIZED TO BAKERSFIELD ICE & COLD STORAGE COMPANY
AND KERN ICE & COLD STORAGE CO.

1.

Commodity and Description of Package & Service	Weight	Rate of Storage in Cents					
		First Month			Per Month Thereafter		
		Gross	Pro-	% In-	Pro-	% In-	
		Present	posed	crease	Present	posed	crease

Poultry and rabbits, viz.: N.Y.
dressed, cut and disjointed and
eviscerated or drawn.

Received Frozen:

In consumer package in cartons,
or loose, or wrapped in cartons
or boxes:

Weighing 20 lbs. or more per cu. ft.

Lot, less than 2,000 lbs.	100 lbs.	50	62	24%	30	33	10%
Lot, 2,000 to 10,000 lbs.	100 lbs.	40	50	25	25	26	12
Lot, 10,000 lbs. or more	100 lbs.	35	44	26	20	22	10

Weighing 15 to 20 lbs. per cu. ft.

Lot, less than 2,000 lbs.	100 lbs.	55	*	-	35	*	-
Lot, 2,000 to 10,000 lbs.	100 lbs.	45	*	-	35	*	-
Lot, 10,000 lbs. or more	100 lbs.	40	*	-	30	*	-

* Cancel because of nonusage (dead rates).

2.a. The rate increase is expected to provide a nominal amount of increased revenue to Bakersfield Ice & Cold Storage Company because of its very limited participation in the rates, amounting to \$6 to \$8 per month.

b. Kern Ice & Cold Storage Co. currently rents warehouse space to its potential customer, Bakersfield Poultry Company. If said customer uses the public utility storage and handling rates authorized in the order to which this is attached, Kern will receive total revenues of \$89,760. The present lease produces an annual rental income of \$61,328. Therefore, additional revenue of \$28,432 will result from the increase. Said additional revenues will be offset by the requirement that labor, in the amount of \$29,000 annually, be furnished by Kern.

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3. It is estimated that net revenue to Kern will not be greater under the authorized increased rates than under its present space lease agreement with Bakersfield Poultry, because the increased revenue is offset by increased expense for warehouse labor.

4. Applicants' rate of return on total capitalization and profits as a percentage of total sales will remain relatively unchanged.

5. Sufficient evidence was supplied with the application to determine whether the criteria set forth in paragraph (d), (1) through (4) of Title 6, Chapter III, Part 300, Section 300.16 of the Code of Federal Regulations, as amended, are or are not met by the rate increase.

6. The increase is cost based, and does not reflect future inflationary expectations; and the increase will not increase applicants' rate of return.

This Appendix to the rate decision constitutes the certification required by the Code of Federal Regulations.