

ORIGINAL

Decision No. 8C329

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
AMERICAN WAREHOUSE CO., INC. for
authority to increase warehouse rates.

Application No. 52883
(Filed September 23, 1971)

Martin Rosen, Attorney at Law, and Jack Dawson,
for applicant.

A.L. Gielegghem and J.L. Glovka, for the
Commission staff.

OPINION AND ORDER

By this application, American Warehouse Co., Inc., located at Fresno, seeks increases in its storage and handling charges and other services incidental thereto, to recover cost increases incurred since the present rates were established in 1969. Applicant states that the proposed increases in the rates and charges will bring them to approximately the same level as those now charged by other warehouses in the San Joaquin Valley area.

Public hearing on the application was held February 28, 1972, in San Francisco, before Examiner Turpen. A study of applicant's operations was submitted by a representative of the Commission's Finance and Accounts Division. No one opposed granting of the application.

Applicant states that the sought increases are no more than those necessary to recover the increased costs incurred since 1969. The application shows that labor costs have increased at least \$2.16 per hour since January 1, 1970, with further increases coming later this year.

The record shows that prior to 1971, the plant employees were not unionized. Upon becoming members of the union, their prior wage of \$3.00 per hour was increased in two steps in January, 1971, and July, 1971, for a total increase of \$1.56 per hour. In January, 1972, an additional wage increase of 60 cents per hour was granted. This added labor cost totals \$25,454 annually.

Applicant has also incurred additional clerical obligations resulting in increased wage costs of \$10,200 per year. Applicant will also have additional insurance expenses of \$900. These increased costs amount to \$36,554 per year.

Applicant's witness stated that there will be further wage increases in 1972 and other cost increases that have not been included in the cost data presented here.

The study prepared and introduced by the Commission staff shows even a less favorable operating situation than that projected by applicant. This study shows that under present rates applicant suffered a loss of \$37,000 for the year ended September 30, 1971. The proposed rate increases would result in increased revenues of \$41,008. Due to accounting adjustments, however, this would result in expected net income, before income taxes of \$38,730, for a projected rate year based on expenses as of January 1, 1972. According to the staff study this would result in an operating ratio of 83.16 percent and a rate of return of 9.6 percent.

The staff study shows, and the Commission finds that, the present schedule of rates is too low to give an adequate return on plant investment; that the proposed increases are necessary to provide adequate service and do not reflect future inflationary expectations. We further find that the proposed increases are justified. We conclude that the application should be granted.

IT IS ORDERED that:

1. American Warehouse Co., Inc. is authorized to increase its rates and charges as proposed in Application No. 52883 on not less than ten days' notice to the Commission and to the public.

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2. Such authority shall expire unless exercised within sixty days of the effective date of this order.

Attached as Appendix A is a certification as required under the Code of Federal Regulations.

This order shall become effective twenty days after the date hereof.

Dated at San Francisco, California, this 15th day of AUGUST, 1972.

Vernon L. Stevens
President
William Synnott
[Signature]
[Signature]
Commissioners

I dissent
J. Buchanan Jr., Commissioner

APPENDIX A

Pursuant to provisions of Section 300.16 of the Economic Stabilization Act Amendments of 1971, the Public Utilities Commission of the State of California does hereby certify to the Federal Price Commission as follows:

1. The increase of 21.6 percent in rates, authorized by the decision attached hereto, apply to rates that have been in effect since 1969, and reflect cost increases in labor incurred since that date to January 1, 1972.

2. Said rate increases are cost-based and do not reflect future inflationary expectations.

3. Said rate increases are the minimum required to assure continued, adequate and safe service by the warehouse involved.

4. The dollar amount of the increased revenues which the increased rates will provide is about \$41,000 per year.

5. Said rate increases are not sufficient to return to the utility increases in operating costs which have been experienced.

6. Sufficient evidence was taken at public hearings before the Public Utilities Commission in connection with said increases to support the certification herein made.