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Decision No. 80366

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
of PACKERS' COLD STORAGE, INC.
for a Flat Percentage Additive.

Application No. 53245
(Filed March 31, 1972)

O P I N I O N

Applicant is engaged in the business of a public utility warehouseman at various localities in Anaheim, Fullerton and La Habra for the storage of commodities, both non-refrigerated merchandise and those commodities requiring refrigeration. The rates charged by the applicant for freezing, cooling, storage, handling and other services incidental thereto and the rules and regulations governing the application of such rates are contained in Packers' Cold Storage, Inc. Warehouse Tariff No. 100.

By this application applicant seeks authority to increase its rates and charges by 8 percent.

Applicant alleges that its present rates have been in effect since it was granted a certificate of public convenience and necessity on August 4, 1970. Applicant has experienced accelerated increased costs in labor, insurance, taxes, repair and certain utilities, along with other generally increased indirect expenses which have created a continuing net loss situation.

Exhibit A, attached to the application, includes revenue and expense data for the year ended November 30, 1971. Said data discloses that for the year ended November 30, 1971, applicant incurred a loss of \$36,731 from its warehouse operations.

Exhibit C, attached to the application, contains comparative income statements for the year ended November 30, 1971 and for the years to end November 30, 1972 and November 30, 1973. The projections show that without the increase sought applicant will sustain losses of

\$133,590 and \$120,514 for the years ending November 30, 1972 and 1973, respectively. The comparative statements also show that if the increase is granted applicant's loss for the year ended November 30, 1972 will be \$46,544 and for the year ended November 30, 1973 applicant will have a profit of \$41,723.

A report prepared by the Commission's Finance and Accounts Division staff, which is received as Exhibit 1, discloses that the operating ratios as projected by applicant and adjusted by the staff for the years ended November 30, 1971, November 30, 1972 and November 30, 1973 are 101.13 percent, 100.56 percent and 96.76 percent respectively. The staff recommends that the increase be granted.

Applicant's storers have been informed of the relief sought. Notice of the application was published in the Commission's Calendar dated April 3, 1972. There are no protests. A public hearing is not necessary.

After consideration the Commission finds that:

1. Applicant's present tariff rates and charges do not provide revenues sufficient to meet expenses incurred in providing public utility warehouse services.

2. Applicant has demonstrated a need of additional revenues for its public utility warehouse operations.

3. The proposed increase will not produce excessive earnings for applicant.

4. The proposed increase has been shown to be justified.

5. In compliance with Rule 23.1 of this Commission's Rules of Practice and Procedure promulgated pursuant to the Economic Stabilization Act of 1970, we find and determine that:

- a. Sufficient evidence was contained in the application to determine whether or not the price increase meets the criteria of the rules of the Price Commission.
- b. The rate increase will not increase the overall return on capital, as the increase will make the operations marginally profitable as represented by an operating ratio of 96.76 percent.

- c. The increase authorized is cost justified and does not reflect future inflationary trends.
- d. The increase is the minimum required to assure continued, adequate and safe service.
- e. The increase is not sufficient to achieve the minimum rate of return needed to attract capital at reasonable costs nor to impair the credit of the utilities.
- f. The increase does not reflect labor costs in excess of those allowed by Price Commission policies.
- g. There are no known productivity gains which could offset the sought wage and related expense increases.
- h. Storers have been informed of the proposed increase and have no objection and the Commission staff has prepared and presented a study; therefore, reasonable opportunity for participation by all interested parties was afforded.
- i. The record contains no information that would indicate that there are any other public utility warehousemen willing and capable of providing service at the existing rates.

The Commission concludes that Application No. 53245 should be granted.

O R D E R

IT IS ORDERED that:

1. Packers' Cold Storage, Inc. is authorized to establish the increased rates proposed in Application No. 53245. 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 thirty days after the effective date hereof on not less than thirty days' notice to the Commission and to the public.
2. The authority herein granted shall expire unless exercised within ninety days after the effective date of this order.

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.

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

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

Vernon L. Sturgeon
President
William J. Quous
William D.
T. A. [unclear]
Commissioners

Commissioner D. W. Holmes, being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A

This appendix constitutes the certification of the Public Utilities Commission of the State of California to the Federal Price Commission as required by Section 300.16 of the Code of Federal Regulations.

1. The present rates of applicant are set forth in detail in Packers' Cold Storage, Inc. Warehouse Tariff No. 100. Said rates are to be increased by an 8 percent surcharge.
2. The rate increase is expected to increase annual revenue by \$147,730.
3. The increase granted by the Commission order to which this is attached will not increase the utilities' overall return on capital, as the rate increase will make the operations marginally profitable, at best.
4. Sufficient evidence was contained in the application to determine whether or not the price increase meets the criteria of the rules of the Price Commission.
5. The increase authorized is cost justified and does not reflect future inflationary trends.
6. The increase is the minimum required to assure continued, adequate and safe service.
7. The increase is not sufficient to achieve the minimum rate of return needed to attract capital at reasonable costs nor to impair the credit of the utilities.
8. The increase does not reflect labor costs in excess of those allowed by Price Commission policies.
9. There are no known productivity gains which could offset the sought wage and related expense increases.
10. Reasonable opportunity for participation by all interested parties was afforded.