

Decision No. 81849

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
MERCHANTS REFRIGERATING COMPANY OF
CALIFORNIA, UNION ICE & STORAGE
COMPANY, and WESTERN REFRIGERATING
& COLD STORAGE COMPANY for an
Increase in Rates.

Application No. 54166
(Filed July 11, 1973)

O P I N I O N

Applicants, Merchants Refrigerating Company of California (Merchants), Union Ice & Storage Company (Union), and Western Refrigerating & Cold Storage Company (Western), are public utility warehousemen engaged in the business of providing quick freezing and cold storage at Salinas, Santa Cruz, San Martin, and Santa Maria. Collectively, these applicants operate approximately 4,868,000 cubic feet of warehouse space in their warehouses which are covered in this application.

The rates charged by applicants for freezing, storage, and other services incidental thereto are contained in one or more of the following-listed tariffs:

California Warehouse Tariff Bureau Cold Storage
Warehouse Tariff No. 20, Cal. P.U.C. No. 229.

Merchants Refrigerating Company of California
Cold Storage Warehouse Tariff No. 2, Cal. P.U.C.
No. 2 (Salinas).

Union Ice & Storage Company Cold Storage Warehouse
Tariff No. 21-C, Cal. P.U.C. No. 36 (Santa Cruz).

Western Refrigerating & Cold Storage Company Cold
Storage Warehouse Tariff No. 5, Cal. P.U.C. No. 5
(Santa Maria).

Western Refrigerating & Cold Storage Company Cold Storage Warehouse Tariff No. 6, Cal. P.U.C. No. 6 (San Martin).

California Warehouse Tariff Bureau Cold Storage Warehouse Tariff No. 12, Cal. P.U.C. No. 87.

The average number of employees employed by applicants, and the approximate number of cubic feet operated at the locations involved in this application, are as follows:

<u>Applicant</u>	<u>Average Number Of Employees</u>	<u>Cubic Feet Of Space</u>
Merchants	90 - 100	1,986,000
Union	50 - 60	282,000
Western	65 - 70	2,600,000

Applicants allege that their present rates do not yield revenues sufficient in amount to allow them to continue their warehouse operations at a reasonable profit, and that in order to obtain the necessary revenues to enable applicants to continue in business and to render an adequate and efficient service to the public, they will require increases in their rates to the extent set forth in Exhibit A of the application. The statement of the reasons why increase adjustments are necessary is as follows:

At the locations involved in this application, all applicants operate as area-of-production warehousemen, engaged in the freezing and storage of fresh fruits and vegetables for principally two accounts which tender to the warehousemen for freezing and/or storage fruits and vegetables in volume lots for which the warehousemen have in the past maintained uniform rates. Applicants' present rates for this service became effective in the summer of 1971 under authority of Decision No. 78893 in Application No. 52434 and have remained in effect without change since that time. Increases in the cost of labor, materials, supplies, etc. have steadily increased since that time until the present rates are no longer fully compensatory. Exhibit D, attached to

the application, shows that under the present rates and present expenses applicants are now operating at a combined operating ratio of 96.9 percent accompanied by a rate of return of 1.4 percent on a depreciated rate base. Also, as shown by that exhibit, under the proposed rates and at revised expenses, applicants would realize a combined operating ratio of 91.3 percent and a combined rate of return of 4.4 percent. Individually, the projected operating ratio and rate of return under the proposed rates and present expenses would be as follows:

<u>Company</u>	<u>Operating Ratio After Taxes</u>	<u>Rate of Return After Taxes</u>
Merchants	99.1%	0.3%
Union	87.1	8.0
Western	89.1	6.6

Applicants request an order of the Commission authorizing them to effect the increases proposed in the application and to make such increases effective on five days' notice.

Notice of the filing of the application appeared on the Commission's Daily Calendar and the application was served in accordance with the Commission's procedural rules. There are no protests or request for hearing.

In the circumstances, the Commission finds as follows:

1. Exhibit D to the application shows that applicants had the following recorded results of operations for their public utility warehouse operations for the periods shown:

	<u>Merchants</u> <u>Salinas</u>	<u>Union</u> <u>Santa Cruz</u>	<u>Western</u> <u>San Martin</u> <u>Santa Maria</u>
Year Ended	3/31/73	12/31/72	2/28/73
Present Rates & Recorded Expenses			
Revenue	\$ 625,807	\$280,507	\$1,699,266
Expenses Before Taxes	663,299	232,046	1,414,440
Profit (or Loss) Before Taxes	(37,492)	48,461	284,826
Income Taxes	-	18,676	141,473
Expenses After Taxes	663,299	250,722	1,555,913
Profit (or Loss) After Taxes	(37,492)	29,785	143,353
Net Property and Equipment	2,084,742	474,350	2,980,051
Working Capital	46,428	18,461	118,044
Rate Base	2,131,170	492,811	3,098,095
Operating Ratio After Taxes	106%	89.4%	91.6%
Rate of Return After Taxes	-	6.0%	4.6%

2. Exhibit D also shows that if the operating results set forth above are adjusted for known increases in operating expenses (principally labor) and for the increased revenues from proposed rates, the following would result:

	<u>Merchants</u>	<u>Union</u>	<u>Western</u>
Proposed Rates and Revised Expenses			
Revenue	\$ 695,218	\$306,999	\$1,889,371
Expenses	686,296	238,345	1,475,415
Profit Before Taxes	8,922	68,654	413,956
Income Taxes	2,492	29,167	208,558
Expenses After Taxes	688,788	267,512	1,683,973
Profit After Taxes	6,430	39,487	205,398
Rate Base	2,133,264	494,210	3,108,766
Operating Ratio After Taxes	99.1%	87.1%	89.1%
Rate of Return After Taxes	.3%	8.0%	6.6%

3. The foregoing indicates that under revised expenses and proposed rates, the public utility warehouse operations of Merchants at the locations involved in the application will be only marginally profitable, and that the projected rates of return and operating ratios of Western and Union will not be excessive. Applicants are in need of the increased revenues which will result from the rates proposed herein.

4. We find that the increases in rates and charges authorized by this decision are justified and are reasonable; and that the present rates and charges, insofar as they differ from those prescribed by this decision, are for the future unjust and unreasonable.

The Commission concludes that the application should be granted and that the proposed rates and charges should be permitted to be established on five days' notice.

O R D E R

IT IS ORDERED that:

1. Applicants, Merchants Refrigerating Company of California, Union Ice & Storage Company, and Western Refrigerating & Cold Storage Company, are authorized to increase their rates and charges for public utility warehouse service as set forth in Exhibit A to Application No. 54166.

2. Tariff publications authorized to be made as a result of this order shall be filed not earlier than the effective date of this order and 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 shall expire unless exercised within ninety days after the effective date of this order.

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

Dated at San Francisco, California, this 12th
day of SEPTEMBER, 1973.

William J. Sisson President
William J. Sisson
Thomas J. Sisson
Commissioners

Commissioner Vernon L. Sturgeon, being necessarily absent, did not participate in the disposition of this proceeding.