

ORIGINALDecision No. 81296

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
of WATSONVILLE COLD STORAGE
COMPANY, INC. for an increase in
Rates.

Application No. 54113
(Filed June 21, 1973;
amended August 9, 1973)

OPINION AND ORDER

Applicant Watsonville Cold Storage Company, Inc., holder of a warehouseman's certificate authorized to be transferred to it by Decision No. 71075 in Application No. 48568 dated July 26, 1966, requests authority to increase its rates charged for freezing, storage, and handling fruits, viz., deciduous, including berries and vegetables; frozen room - in barrels, kegs, drums, cartons, crates, boxes, bags, bins or in metal cans of uniform measurement having a cubic displacement of 900 to 1100 cubic inches: 20 pounds or more per cubic foot as found in Cold Storage Warehouse Tariff No. 2-G, Cal. P.U.C. No. 23, Item 40 (series of National Ice and Cold Storage Company of California), and to increase the man-hour rates in Item 185 and 190 of the same tariff. Applicant also requests approval to delete Items 10, 20, 50, and 70 from such tariff.

Applicant asserts that the Item 40 rates for quick freeze, storage, and handling were established on May 6, 1965 in Decision No. 68835 in Application No. 47103. A contrast in cents per hundred pounds between the presently applicable Item 40 rates and the rates proposed to be charged in the application is as follows:

Quick Freezing

	<u>Present rate</u>		<u>Proposed rate</u>	
	(1)	(2)	(1)	(2)
Lot, less than 5,000 lbs.	75	60	83	66
5,000 - 10,000	75	50	83	55
10,000 - 30,000	65	50	78	55
30,000 or more	65	50	78	55

Handling

	<u>Present rate</u>	<u>Proposed rate</u>
Lot, less than 5,000 lbs.	45	45
5,000 - 10,000	35	35
10,000 - 30,000	20	17
30,000 or more	12½	17

Storage

	<u>Present rate</u>	<u>Proposed rate</u>
Lot, less than 5,000 lbs.	20	22
5,000 - 10,000	17½	19
10,000 - 30,000	15	17
30,000 or more	15	17

Applicant asserts that its present rates do not yield revenues sufficient in amount to allow applicant to conduct its warehouse operations at a profit. Over 90 percent of applicant's freezing and storage business, applicant asserts, is received from its affiliate John Inglis Frozen Foods Company, with the remainder of its business being obtained from approximately twenty smaller customers. The only public utility warehouse business engaged in by applicant is the freezing and freezer storage of fruits and vegetables ratable under Item 40 of its Cold Storage Warehouse Tariff No. 2-G. Since May 6, 1965 when applicant's present rates went into effect, applicant has experienced increases in the cost of all phases of its operation, particularly with respect to materials, supplies, maintenance, repairs, taxes, power, insurance, and labor. It asserts, for example, the cost per man per hour of a fork-lift operator has increased approximately 72 percent since the rates in Item No. 40 were established in 1965. In order to offset these increased costs, and return applicant to a reasonable profit position, the increased rates sought by this application are necessary.

Applicant submitted a comparative Profit and Loss Statement as follows:

WATSONVILLE COLD STORAGE COMPANY, INC.

Profit and Loss Statement
Under Present and Proposed Rates, Taking Into
Account The Elimination of Excess Cost of Rent Paid
To An Affiliate And Modification of Labor Expenses
To Reflect Current Wages

	Under Present Rates	Under Proposed Rates & Current Labor Cost
Revenue	\$ 436,151	\$ 506,169
# Expenses	(3)426,643	(2)444,543
Profit Before Taxes	9,508	61,626
State and Federal Taxes ...	2,759	25,965
Expenses After Taxes	429,402	470,508
Profit After Taxes	6,749	35,661
Ø @ Net Property and Equipment.	198,044	198,044
(1) Working Capital.....	33,398	36,823
Rate Base	231,442	234,867
Operating Ratio After Taxes	98.5	93
Rate of Return After Taxes.	2.9%	15.2%

- # Affiliated landlord cost in lieu of rent paid to affiliate.
- @ Including \$175,427 net book value of rented property.
- (1) One month's expenses including depreciation.
- (2) Includes \$16,457 additional labor expenses to reflect cost under current wage scales.
- (3) Does not reflect cost under current wage scales.
- Ø Building which was constructed in 1912 is nearly fully-depreciated, although it is appraised for tax purposes at \$393,400.

Applicant submitted cost studies documenting its cost shown immediately above. Applicant asserts that for the test year of 1972, which was a normal year from the standpoint of occupancy, applicant experienced an operating ratio of 98.5 after substituting landlord's cost

in lieu of rent paid to affiliate; that had the increased labor cost which applicant is now experiencing been in effect for the entire year 1972 the present rates would have produced an operating ratio of 102; that, as evidenced by Exhibit D, had the proposed rates been in effect during the same test year period, applicant would have enjoyed an operating ratio of 93; and that inasmuch as applicant's buildings and facilities are virtually depreciated, it is contended that a rate of return predicated on a virtually depreciated rate base is not a proper basis for rate-making purposes.

Applicant also requests authority to increase by 10 percent the man hour rates found in Items 185 and 190 of the subject tariff. Item 185 applies to charges for services during other than regular hours and Item 190 applies to rates for special labor and clerical services.

Applicant also requests authority to delete Items 10, 20, 50, and 70 from the subject tariff, and as grounds therefor alleges that since it no longer is in the general warehouse business but is devoting its entire business to the freezing, handling, and storage of fruits and vegetables under Item 40 of the subject tariff, then these items are no longer applicable to its business.

The Commission's staff prepared and submitted in this case a comprehensive and detailed study of applicant's balance sheet as of June 30, 1973, and related income statement for the year then ended. From the latter statement the staff prepared and submitted a 12-month adjusted income and expense statement reflecting applicant's increased future costs and anticipated earnings under the proposed rates based on operations during such 12-month period. Such adjustments totalled a net of \$67,211, and resulted in a net income of \$23,939 for an operating ratio of 95 percent and a rate of return after taxes of 9.47 percent. Applicant actually experienced at the end of June 30, 1973 a 111 percent operating ratio and a rate of return of zero. The staff recommends that the application be granted.

Applicant asserts that on June 4, 1973 it mailed a notice to all its storers of the herein pending application. The application was noticed in the Commission's Daily Calendar of August 10, 1973. No objection to the granting of the application has been received. A public hearing is not necessary.

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.

IT IS ORDERED that:

1. Watsonville Cold Storage Company, Inc. is authorized to establish the increased rates and to make the deletions proposed in Application No. 54113. 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.

2. The authority set forth herein is granted 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 pursuant to the authority herein granted will be construed as a consent to this condition.

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

The effective date of this order is the date hereof.

Dated at Los Angeles, California, this 16th
day of OCTOBER, 1973.

Vernon L. Stinson
President
William S. Gurnea, Jr.
[Signature]
Commissioners

Commissioner J. P. Vukasin, Jr., being
necessarily absent, did not participate
in the disposition of this proceeding.

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