

Decision No. S2093**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
 ANDERSON CARTAGE, APPLGATE WAREHOUSE  
 COMPANY, BEKINS WAREHOUSING CORP.,  
 RICHMOND TRANSFER AND STORAGE COMPANY,  
 Dba BOONE'S TRANSFER & STORAGE CO.,  
 COASTAL TERMINALS, INC., CONSOLIDATED  
 CALIFORNIA TERMINALS, INC., CRISTINA  
 WAREHOUSE CO., INC., FORT SUTTER WAREHOUSE  
 CO., L. E. GRAINGER, Dba L. E. GRAINGER  
 WAREHOUSE CO., HASLETT COMPANY, W. E.  
 HIBBITT AND D. MACAULAY, Dba LAWRENCE  
 WAREHOUSE & DISTRIBUTING CO., LYON  
 MOVING & STORAGE CO., MINGLE TRANS-  
 PORTATION & WAREHOUSE CO., MODESTO  
 TERMINALS, OWL TRANSFER CO., PACIFIC  
 STORAGE COMPANY, STATE CENTER WAREHOUSE,  
 Spear Enterprises, Inc., Dba UNITED  
 TRUCK LINE, and Travis Warehouse, Inc.,  
 Dba WESTERN WAREHOUSE COMPANY, For  
 An Increase In Rates.

Application No. 53964  
 (Filed April 13, 1973)

Vaughn, Paul & Lyons, by John G. Lyons,  
 Attorney at Law, and Jack L. Dawson,  
 for applicants.  
Clyde T. Neary and Milton J. DeBarr, for  
 the Commission staff.

O P I N I O N

In this application, nineteen public utility warehousemen ✓  
 operating in Stockton, Sacramento, Fresno, Modesto, and San Jose  
 seek authority to increase their rates and charges by eight percent  
 and to cancel certain rates and rules which are no longer in use.  
 The rates and charges of applicants are set forth in the following  
 tariffs:

California Warehouse Tariff Bureau Warehouse Tariff No. 52,  
Cal. P.U.C. No. 224;

California Warehouse Tariff Bureau Warehouse Tariff No. 53-A,  
Cal. P.U.C. No. 241;

Coastal Terminals, Inc. Warehouse Tariff No. 1, Cal. P.U.C.  
No. 1;

Haslett Company Warehouse Tariff No. 12-G, Cal. P.U.C.  
No. 24;

State Center Warehouse Tariff No. 2, Cal. P.U.C. No. 2;  
and

Cristina Warehouse Co., Inc. Warehouse Tariff No. 1-A,  
Cal. P.U.C. No. 1.

Public hearing was held in Sacramento on September 6, 1973 before Examiner Mallory and the matter was submitted. Evidence was offered by applicants' tariff agent, by representatives of two warehousemen and by a staff member of the Commission's Finance and Accounts Division. No one appeared in opposition to the relief sought.

Attached to the application are income statements for seventeen of the applicants for the twelve months ended June 30, 1972 or for the calendar year 1971. Also attached are the detailed income statements of six test warehousemen for the fiscal periods indicated above, and adjustments to said data to reflect the rate increases sought herein and known increases in operating expenses.

The Commission staff witness presented in evidence an accounting and financial report prepared by him and received in evidence as Exhibit 1. The staff exhibit states as follows:

By Application No. 53964, 19 merchandise warehousemen are requesting rate increases. The warehouses involved are located in Sacramento, Stockton, Modesto, Fresno, and San Jose. Essentially, the justification presented in the application is the results of operations of six of the largest warehouses:

Cristina Warehouse Co., Inc., San Jose  
Fort Sutter Warehouse Co., Sacramento  
Haslett Company, West Sacramento  
Owl Transfer Co., Fresno  
State Center Warehouse, Fresno  
Western Warehouse Company, Sacramento

The staff of the Finance and Accounts Division did not examine the records of Haslett Company because its West Sacramento operation was discontinued in June 1973. The staff did not complete its examination of Owl Transfer Co. because it concluded midway that Owl is not a representative merchandise warehouse. It is predominately a mover and storer of household goods. The operations are not accounted for separately and the Uniform System of Accounts for Merchandise Warehousemen is not followed, making it very difficult to extract meaningful results of merchandise warehouse operations. The accounting records of the other four warehousemen were examined by the staff and the results are set forth in the separate tables in Exhibit 1. These four warehouses generated about 79 percent of the merchandise warehouse revenue reported for 1971 by all of the applicants. Table E of Exhibit 1 summarizes the results of operations of the four warehouses and shows a combined operating ratio of 99.6 percent and a combined return on net plant investment of 0.8 percent. The figures in the staff report pertain to historical years and reflect the wage rates and tariff rates actually in effect in those years. The figures in the staff report contain allocations of certain expenses (principally general and administrative expenses) between public utility warehouse operations and other operations conducted by applicants.

The following is the summary of operating results contained in Exhibit E of the staff report:

TABLE 1

Results of Merchandise Warehouse Operations  
For Periods Shown

(Exhibit 1, Exhibit E)

	Cristina Warehouse Company <u>FYE 2/28/73</u>	Fort Sutter Warehouse Company <u>FYE 12/31/72</u>	State Center Warehouse <u>FYE 4/30/73</u>	Western Warehouse Company <u>FYE 2/28/73</u>	Four Warehouses <u>Combined</u>
Gross Operating Revenues	\$404,026	\$193,763	\$128,770	\$254,187	\$980,746
Total Operating Expenses	<u>464,656</u>	<u>143,296</u>	<u>132,676</u>	<u>213,938</u>	<u>954,566</u>
Net Operating Revenue (before income taxes)	(60,630)	50,467	(3,906)	40,249	26,180
Provision for Income Taxes	<u>(4,285)</u>	<u>18,073</u>	<u>70</u>	<u>7,972</u>	<u>21,830</u>
Net Operating Revenue (after income taxes)	<u>\$(56,345)</u>	<u>\$ 32,394</u>	<u>\$ (3,976)</u>	<u>\$ 32,277</u>	<u>\$ 4,350</u>
Operating Ratio (after income taxes)	113.9%	83.3%	103.1%	87.3%	99.6%
Return on Net Plant Investment		37.8%		8.2%	0.8%
Net Plant Investment	\$ 50,326	\$ 85,795	\$ 7,687	\$393,128	\$536,936

(Indicates loss)

Applicants' tariff agent, testifying on behalf of all applicants, adopted the results of operation and statements relating thereto set forth in the staff report, for the reason that the data in the report are more current than that developed in the attachments to the application. The witness, however, challenged the method used by the staff accountant in allocating general and administrative expenses of Fort Sutter Warehouse and Western Warehouse. The staff witness used the "cost-follows-cost" method, whereas the tariff agent recommended that the general and administrative expenses of Fort Sutter Warehouse be allocated on a basis of 90 percent to public utility warehouse operations and 10 percent to non-utility operations, and that the general and administrative expenses of Western Warehouse be allocated on the basis of 80 percent to public utility warehouse operations and 20 percent to non-utility operations.

Operating witnesses appeared for Fort Sutter and Western to support the allocations recommended by the tariff agent. These witnesses testified that their companies engaged in trucking and pool car distribution operations as well as warehousing operations; that their combined trucking and pool car revenues approximated their public utility warehouse revenues; that their general and administrative expenses consist primarily of the wages and payroll costs of billing and accounting clerks and similar personnel; that the time spent by such personnel consists primarily of record keeping and billing of storage accounts; and that the record keeping and billing for their trucking accounts were minimal compared to their storage accounts.

The tariff agent presented Exhibit 3, which adjusts the data set forth in Table 1 (above) to reflect current wage costs for plant and office employees, the revised allocations of general and administrative expenses of Fort Sutter and Western, and for an increase of eight percent in storage and handling revenues.

In developing the increased wage costs for plant personnel the tariff agent included wages that will not become effective pursuant to labor contracts until July 1, 1974. To include wages in excess of those currently paid by applicants is contrary to long-standing procedures of the Commission, and would be contrary to the intent and spirit of current federal economic regulations.

The data set forth in Exhibit 3 is summarized below. It has been adjusted to eliminate wages for plant personnel in excess of those applicable under current wage contracts.

TABLE 2

Adjusted Results of Warehouse Operations

(Exhibit 3, revised)

	<u>Cristina Warehouse (San Jose)</u>	<u>Fort Sutter Warehouse (Sacramento)</u>	<u>State Center Warehouse (Fresno)</u>	<u>Western Warehouse (Sacramento)</u>	<u>Total Four Warehouses</u>
Gross Operating Revenues	\$436,348	\$209,264	\$139,072	\$274,522	\$1,059,206
Total Operating Expenses	<u>481,732</u>	<u>171,369</u>	<u>140,334</u>	<u>272,523</u>	<u>1,065,958</u>
Net Operating Income	\$(45,384)	\$ 37,895	\$ (1,262)	\$ 1,999	\$ (6,752)
Provision for Income Taxes	-	\$ 12,600	-	\$ 655	\$ 13,265
Total Expenses (incl. taxes)	\$481,732	\$183,969	\$140,334	\$273,188	\$1,079,223
Net Income (after income taxes)	\$(45,384)	\$ 25,295	\$ (1,262)	\$ 1,334	\$ (20,017)
Operating Ratio (after taxes)	110.4%	87.9%	100.9%	99.5%	101.9%

(Indicates loss)

The tariff agent and the staff accountant differ as to the proper method of showing income taxes for operations conducted at a loss. The tariff agent showed no income tax liability for loss operations, whereas the staff witness showed a negative income tax. This difference need not be resolved for the purposes of this proceeding.

Testimony of the tariff agent and the staff witness indicates that several of the applicants no longer provide public utility warehouse operations under their tariffs on file with the Commission. Separate orders should be issued cancelling the warehouse operative rights at locations where public utility warehouse operative rights have been abandoned or sold.<sup>1/</sup>

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<sup>1/</sup> The record shows that Haslett Company no longer has operating facilities at Sacramento, West Sacramento, or Stockton. The tariff agent testified that Haslett has abandoned operations at Stockton, and may have abandoned operations at Sacramento and West Sacramento. He also stated that Haslett Company Warehouse Tariff 12-G, Cal. P.U.C. No. 24 should be cancelled as no service is performed thereunder. The agent also testified that he was unable to locate the owner of the L. E. Grainger Warehouse Company. Grainger's annual reports show that he has had no warehouse space or operating revenues for several years. The record herein and annual reports filed with the Commission show that Mingle Transportation & Warehouse Company had no revenues from public utility warehouse operations for several years, and that its warehouse operations consist solely of storage of used household goods which are not subject to regulation. The operative right of Consolidated California Terminals, Inc. was sold in 1971, and its successor maintains its own tariff.

Findings

1. The 19 applicants in this proceeding maintain generally uniform rates for the storage of general merchandise at warehouses located in Stockton, Sacramento, Fresno, Modesto, and San Jose. Four applicants, L. E. Grainger, Haslett Company, Lawrence, and Mingle reported no revenues for public utility warehouse operations at points involved herein in their latest annual reports. Consolidated California no longer has an operative right as a warehouseman. Of the 14 applicants which reported revenues from the storage of general merchandise in their latest annual reports filed with the Commission, Boone's Transfer & Storage Co., Lyon Moving & Storage Co., Bekins Warehousing Corp., and Owl Transfer Co. are primarily engaged in, or are subsidiaries of companies primarily engaged in, the unregulated storage of household goods and personal effects. The 10 remaining applicants engage in trucking and/or non-utility warehouse operations in addition to public utility warehouse operations at locations involved in this application.

2. The Commission staff has selected four warehousemen as being representative of the operations of all applicants as a group. These warehousemen are Cristina Warehouse, San Jose; State Center Warehouse, Stockton; and Fort Sutter and Western Warehouses, Sacramento. These four warehousemen had 79 percent of the revenues of applicants for commercial storage. Haslett Company, used by applicants as a test warehouseman in prior applications and in this application, no longer actively engages in utility warehouse operations at Stockton, West Sacramento, or Sacramento. Owl Transfer, selected as a substitute for Haslett by applicants, is not representative as its latest annual report shows that it earns 97 percent of its warehouse revenues from unregulated storage of household goods.



3. The use of the operating results of the four test warehousemen selected by the staff as representative of operations of all applicants will be reasonable for the purposes of this proceeding.

4. Table 1 indicates that current operations of two of the four test warehousemen were conducted at a loss in the most recent periods for which financial data are available, and that the operations of the remaining two warehousemen were profitable. Warehouse location does not appear to affect the profitability of operations of the selected warehousemen.

5. The estimated operating results set forth in Table 2 of preceding opinion for the test year represented therein are reasonable and are adopted for the purposes of this proceeding.

6. Under current expenses and proposed rates, as shown in Table 2, the combined operations of the four test warehousemen would be conducted at a loss, two of the warehousemen would operate at a loss (Cristina, San Jose and State Center, Fresno) and one of the warehousemen would operate near the break-even point (Western, Sacramento). The remaining test warehouseman (Fort Sutter, Sacramento) would enjoy an operating ratio (after taxes) of 87.9 percent, which will not produce excessive earnings from public utility warehouse operations.

7. Applicants are in need of the additional revenues sought in the application.

8. The increases sought in the application are justified.

#### Conclusions

1. The increases sought in the application should be authorized, except that the rates in Haslett's Tariff 12-G should be cancelled because no operations are conducted under that tariff.

2. Appropriate orders should be issued in other proceedings revoking warehouse operative rights which are abandoned or unused for long periods.

O R D E R

IT IS ORDERED that:

1. Applicants are authorized to establish the increased rates and charges proposed in Application No. 53964, except in Haslett Warehouse Tariff 12-G, Cal. P.U.C. No. 24, which is hereby cancelled.

2. Tariff publications authorized or required 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 less than ten days after the effective date hereof on not less than ten days' notice to the Commission and to the public.

3. In effecting the proposed increases, fractions will be disposed of as follows:

When the resulting rate is under 10 cents, dispose of fractions to the nearest mill, by dropping fractions of less than one-half mill and increasing fractions of one-half mill or greater to the next whole mill.

When the resulting rate is 10 cents or greater, dispose of fractions to the nearest cent, by dropping fractions of less than one-half cent and increasing fractions of one-half cent or greater to the next whole cent.

4. The authority herein granted is subject to the express condition that applicants will never urge before this Commission in any proceeding under Section 734 of the Public Utilities Code, or in any other proceeding, that the opinion and order herein constitute 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 a consent to this condition.

5. The authority herein granted 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 7<sup>th</sup> day of NOVEMBER, 1973.

Verizon L. Stevenson  
President  
William J. Simon

[Signature]  
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Commissioners

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J. Blum Commissioner