

Decision No. 82235**ORIGINAL**

BEFORE THE PUBLIC UTILITIES-COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
PUBLIC DISTRIBUTION CORPORATION for )  
an Order Authorizing Applicant to )  
increase rates and charges pursuant )  
to Public Utilities Code Section )  
454 and Rule 23 of the Commission's )  
Rules of Procedure as amended by )  
Resolution No. A-4014. )

Application No. 53600  
(Filed September 21, 1972;  
amended May 7, 1973)

Murchison & Davis, by Donald Murchison, Attorney at  
Law, for applicant.  
R. W. Smith and A. D. Poe, Attorneys at Law, and  
H. W. Hughes, for California Trucking Association,  
interested party.  
George Hunt and Fred K. Hendricks, for the Commission  
staff.

#### FINAL OPINION AND ORDER

Public Distribution Corporation operates as a public utility warehouseman at Vernon. Decision No. 80804 dated December 12, 1972 in this proceeding granted applicant interim authority to increase certain accessorial charges, and held the proceeding open for the purpose of receiving an amendment to the application proposing increases in storage and handling rates and for the purpose of studying the effectiveness of the proposed interim increases in accessorial charges. By amendment filed May 7, 1973, applicant requests the issuance of an order:

1. Authorizing the continuation of the accessorial charges which became effective on January 7, 1973;
2. Authorizing the publication on five days' notice to the Commission and the public of an increase of 73 percent on its present handling charges, on an interim basis; and

3. Authorizing applicant to subsequently republish its tariff to reflect the exact rates presently shown in California Warehouse Tariff Bureau, Warehouse Tariff No. 28-A, Cal. P.U.C. 193, Jack L. Dawson, Agent.

Public hearing was held before Examiner Mallory at Los Angeles on October 29, 1973 and the matter was submitted. Evidence was presented by applicant's president and by a financial examiner from the Commission staff. No one appeared in opposition to the relief sought.

The testimony of applicant's president clarified the relief sought. According to the witness, it is applicant's intention to raise its handling charges by 73 percent, as proposed in the amendment to the application, and to incorporate in its storage rates the surcharge increases authorized in prior proceedings. No further increase is sought herein in storage rates or in accessorial services. The proposed tariff publication to accomplish the foregoing is set forth in Exhibit 1, presented by applicant's witness.

The witness testified that the increase in handling charges of 73 percent is urgently needed if applicant is to operate its public utility warehouse business at a profit. The witness stated that present operations are at a loss (112 percent operating ratio) and that operations under the proposed increase would result in a profit (93 percent operating ratio). The witness testified that the proposed handling charges are below the level of the handling charges maintained by the majority of competing warehousemen in the Los Angeles area in California Warehouse Tariff Bureau Tariff 28-A.

The financial examiner from the Commission's Finance and Accounts Division presented the report of the results of his investigation and analysis in Exhibit 2. That investigation was conducted after the filing of the amendment to the application.

Exhibit 2 contains a comparative balance sheet as of December 31, 1972 and March 31, 1973 (Table 1); and income statements as recorded on applicant's books and as adjusted by the witness, for the periods January 1, 1973 through March 31, 1973 and June 1, 1972 through December 31, 1972 (Table 2).

Exhibit 2 also contains a pro forma income statement for a ten-month period which reflects adjustments in Table 2 operating revenues of (a) a 12 percent increase in accessorial charges, as authorized in the interim order herein, and (b) a 73 percent increase in handling charges, as sought in the amendment to the application (Table 3 of Exhibit 2).

The following table sets forth the staff witness' development of estimated operating revenues and expenses for a ten-month period, assuming that accessorial charges are increased 12 percent and handling rates are increased 73 percent:

TABLE 1

## PUBLIC DISTRIBUTION CORPORATION

Pro Forma Income Statement  
Revenues Adjusted for 73% Handling Increase and 12% Accessorial Increase  
Staff Adjusted Expenses

(From Table 3 of Exhibit 2)

Item	June 1, 1973--: Dec. 31, 1973:	Jan. 1, 1973--: Mar. 31, 1973:	Ten Month Total
Operating Revenues			
Storage	\$ 87,972	\$ 36,651	\$124,623
Handling	118,443	56,221	174,664
Special Labor	43,357	23,890	67,247
Office Labor	11,908	7,959	19,867
Miscellaneous	11,953(1)	4,151	16,104
Total Operating Revenues	\$273,633	\$128,872	\$402,505
Operating Expenses - Table 2			351,729
Operating Profit Before Taxes on Income			\$ 50,776
California Franchise Tax (2)		\$ 4,570	
Federal Income Tax		15,679	20,249
Operating Profit After Taxes on Income			\$ 30,527
Operating Ratio Before Taxes on Income			87.4%
Operating Ratio After Taxes on Income			92.4%

(1) \$11,422 Miscellaneous  
7,000 Less Rent  
4,422 Accessorial Charges  
112% Add 12% Increase  
4,953  
7,000 Add Back Rent  
11,953 Projected

(2) Test year - used 9%.

Exhibit 2 contains the following recommendations:

- a. That applicant's interim increase of accessorial charges authorized by Decision No. 80304 be made permanent.
- b. That the increase in handling rates of 73 percent requested by applicant be granted.

Under the circumstances, the Commission finds that:

1. The interim increase in accessorial charges authorized by Decision No. 80804 resulted in an estimated increase of 12 percent in revenues from said services.

2. The staff report in Exhibit 2 indicates in Table 2 thereof that applicant's operations were conducted at a loss for the periods June 1, 1972 through December 31, 1972 and January 1, 1973 through March 31, 1973, and that an improvement in applicant's revenues is required if profitable operations are to be conducted in the future.

3. Table 1 in the preceding opinion shows that if the interim increases in charges for accessorial service are continued in effect and the proposed 73 percent increase in handling rates is authorized, applicant's operations for a ten-month period ended March 31, 1973, adjusted to reflect such increases, would have resulted in an operating ratio (after income taxes) of 92.4 percent.

4. An operating ratio (after taxes) of 92.4 percent is reasonable for applicant's operations and will not produce excessive earnings.

5. The increase in rates which will result from the publication of the tariff provisions set forth in Exhibit 1 are justified.

The Commission concludes that the application should be granted to the extent provided in the following order.

IT IS ORDERED that:

1. Public Distribution Corporation is authorized to establish the increased rates and other tariff provisions set forth as Exhibit 1 in Application No. 53600.

A. 53600 am

2. 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 five days after the effective date of this order on not less than five days' notice to the Commission and the public.

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

4. To the extent not granted herein, Application No. 53600 is denied.

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 DECEMBER, 1973.

Vernon L. Stinson  
President  
William J. Synnott  
John J. Harkin  
Paul J. Harkin  
James J. Harkin  
Commissioners