

ORIGINALDecision No. 82421

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
BEALL REFRIGERATING CO., BERCUT-
RICHARDS COLD STORAGE CO., CRYSTAL
ICE AND COLD STORAGE WAREHOUSE,
LINCOLN COLD STORAGE COMPANY, INC.,
MERCHANTS REFRIGERATING COMPANY OF
CALIFORNIA, MODERN ICE & COLD
STORAGE CO., RELIANCE COLD STORAGE
WAREHOUSE CO., INC., SANTA CLARA
COLD STORAGE & FREEZER CO., STOCKTON
REFRIGERATING COMPANY, UNION ICE &
STORAGE COMPANY, UNITED STATES COLD
STORAGE OF CALIFORNIA, and WESTERN
REFRIGERATING & COLD STORAGE COMPANY
for an increase in rates.

Application No. 54491
(Filed December 10, 1973)

INTERIM OPINION AND ORDER

Applicants are public utility warehousemen engaged in the storage of commodities requiring refrigeration. Applicants operate in Santa Clara, San Jose, Lincoln, Modesto, and San Martin. They maintain generally uniform rates for the services of precooling, refrigerating, and storage of foodstuffs and other commodities in the following tariffs:

Cold Storage Warehouse Tariff 19, Cal. P.U.C. 228;

Cold Storage Warehouse Tariff 20, Cal. P.U.C. 229;

Precooling Warehouse Tariff 21, Cal. P.U.C. 230;

Lincoln Cold Storage Co., Inc., Cold Storage

Warehouse Tariff 6, Cal. P.U.C. 6;

Union Ice & Storage Company Cold Storage Ware-

house Tariff 21-D, Cal. P.U.C. 38;

Western Refrigerating & Cold Storage Company

Cold Storage Warehouse Tariff 7, Cal. P.U.C. 7.

Applicants collectively operate approximately 15 million cubic feet of warehouse space in the warehouses covered by this application.

The application alleges that the present rates of applicants do not yield revenues sufficient in amount to allow them to conduct 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 sufficient service to the public, they will require increases in their rates and charges of 10 percent. Applicants request that they be granted an ex parte interim surcharge increase of 5.5 percent pending hearing and disposition of their request for the full increase of 10 percent.

The application contains the following statements in support of the request for an interim increase in rates and charges:

Applicants were last authorized to increase their rates by Decision No. 78893 dated July 13, 1971 in Application No. 52434. Since the effective date of the present rates, applicants have sustained heavy annual wage increases and other increased costs of operations.

The application contains income statements for test-year operations of applicants based on actual results of operations for fiscal years ending in the spring or summer of 1973. Separate income statements are shown for operations under Tariffs 19 and 20.

Tariff 19 covers seven warehouse locations of applicants in Sacramento, Stockton, Lincoln, and Tracy. The composite public utility warehouse revenues, expenses, and net profit for these locations as shown in Exhibit C to the application are set forth in Table 1. Expenses are revised to show the effect of wage increases granted to employees since the last rate increase. Revised revenues reflect an increase of 10 percent.

TABLE 1

Operating Statement Covering
Public Utility Warehouse Operations
In Sacramento Valley Under
Tariff 19

(Actual and Proposed)

	<u>Present Rates Actual Expenses</u>	<u>Present Rates Revised Expenses</u>	<u>Proposed Rates Revised Expenses</u>
Revenue	\$1,825,836	\$1,825,836	\$2,008,420
Expenses	1,722,193	1,830,546	1,830,546
Income Taxes	43,175	20,896	69,055
Profit (Loss)			
After Taxes	60,468	(25,606)	108,819
Rate Base	2,006,211	2,020,555	2,028,582
Operating Ratio	96.7%	101.4%	94.6%
Rate of Return	3.0%	-	5.4%

The following table depicts similar data for the six warehouse locations of applicants in San Jose, Santa Clara, and San Martin.

TABLE 2

Operating Statement Covering
Public Utility Warehouse Operations
In Santa Clara Valley Under
Tariff 20

(Actual and Proposed)

	<u>Present Rates Actual Expenses</u>	<u>Present Rates Revised Expenses</u>	<u>Proposed Rates Revised Expenses</u>
Revenue	\$2,637,914	\$2,637,914	\$2,867,749
Expenses	2,548,649	2,688,845	2,688,845
Income Taxes	33,186	6,676	65,120
Profit (Loss)			
After Taxes	56,079	(57,607)	113,784
Rate Base	3,494,229	3,513,177	3,522,917
Operating Ratio	97.9%	102.2%	96.0%
Rate of Return	1.6%	-	3.2%

Exhibit C to the application also shows that for the test years shown therein, the composite results of public utility operations of all applicants at the above locations would result in an aggregate operating ratio (after taxes) of 97.4 percent and a corresponding rate of return of 2.1% under conditions existing in the latest fiscal period for which actual data are available; an aggregate operating ratio of 101.9 percent giving effect only to increased expenses; and an aggregate operating ratio of 95.4 percent and rate of return of 4 percent giving effect to increased expenses and the proposed 10 percent increase in rates.

Copies of the application were served in accordance with Commission rules, and applicants' storers were notified of the impending increases. Notice of the filing of the application also appeared on the Commission's Daily Calendar. There is no objection to the proposed ex parte order requested by applicants. The Commission's transportation staff recommends that, pending hearing, an interim increase of five percent be authorized in handling charges only. The staff does not plan to offer evidence if a hearing is scheduled.

Findings

1. Applicants' present rates for their public utility cold storage operations became effective July 28, 1971 pursuant to Decision No. 53434.

2. Since that time applicants have incurred increases in labor and other operating expenses. The preponderance of the increased operating expenses are labor costs incurred in June and July of 1973. Said increased labor costs have been borne by applicants for more than six months.

3. Applicants' operations, in the composite, will be conducted at a loss under existing rates and present levels of expenses. Applicants, therefore, are in urgent need of additional revenues in order to provide adequate and sufficient service to the public.

4. The proposed interim surcharge increase will produce an estimated aggregate operating ratio (after taxes) of approximately 97.5 percent and a corresponding rate of return of approximately 2.1 percent for the composite public utility operations of applicants under tariffs covered by this application. The foregoing operating results will not produce excessive earnings to applicants.

5. The proposed interim increase of 5.5 percent is justified. The Commission concludes that interim relief as provided in the following order should be granted, and that a public hearing shall be scheduled on a date to be set.

IT IS ORDERED that:

1. Applicants are authorized to increase the rates and charges set forth in the tariffs covered by this application by the establishment of a surcharge of 5.5 percent. In publishing that surcharge the disposition of fractions rule set forth in paragraph VIII, subparagraph (B) of the application shall be used.

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

4. A public hearing on the application shall be scheduled on a date to be set.

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

Dated at San Diego, California, this 5th
day of FEBRUARY, 1974.

Vernon L. Sturgeon
President
William Aguirre Jr.
[Signature]
[Signature]
Commissioners

I abstain
[Signature]
Commissioner