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ORIGINAL

Decision No. 82499

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
ARCTIC COLD STORAGE, INC., B-LO COLD
STORAGE CO., CALIFORNIA REFRIGERATED
SERVICES, INC., FEDERAL ICE & COLD
STORAGE COMPANY, ICE AND STORAGE
COMPANY OF THE INLAND EMPIRE,
LOS ANGELES COLD STORAGE CO. (dba
Los Angeles Ice & Cold Storage Co.
and Pasadena Ice Company), NATIONAL
COLD STORAGE COMPANY, ONTARIO ICE &
COLD STORAGE COMPANY (Clive F. Warner
and Exie Jein Warner, Clive W. Warner
and Sally Warner, dba), PACIFIC COLD
STORAGE INC., RANCHO COLD STORAGE,
SOUTH COAST PACKING COMPANY, INC.
(dba South Coast Storage Co., Inc.),
TERMINAL REFRIGERATING COMPANY,
TRIANGLE COLD STORAGE CO., UNION ICE
AND STORAGE COMPANY, and U. S. GROWERS
COLD STORAGE, INC., for an increase
in rates.

Application No. 54471
(Filed November 29, 1973)

INTERIM OPINION AND ORDER

Applicants are 15 public utility warehousemen providing freezing, cold storage, handling, and incidental services in connection with the storage of commodities requiring refrigeration at various locations in southern California.^{1/} Applicants request interim authority for a 6.4 percent surcharge increase in their

^{1/} The utility warehouse facilities involved are at one or more locations in the counties of Los Angeles, Orange, Riverside, San Diego, and San Bernardino.

existing tariff rates and charges pending hearing on an overall proposed 10 percent rate increase.^{2/} Authority is also requested to cancel Union Ice & Storage Company Cold Storage Warehouse Tariff No. 10-A, applicable at Oxnard, and add such utility warehouse operations at Oxnard as a participant in California Warehouse Tariff Bureau Cold Storage Warehouse Tariff No. 2-H.

2/ Applicants' rates, rules, and charges are named in:

California Warehouse Tariff Bureau Cold Storage Warehouse Tariff No. 2-H, Cal. P.U.C. No. 210, of Jack L. Dawson, Agent - applicable to all applicants except South Coast Storage Co., Inc.;

Ontario Ice & Cold Storage Company Cold Storage Warehouse Tariff No. 1, Cal. P.U.C. No. 1;

Pacific Cold Storage Inc. Cold Storage Warehouse Tariff No. 2, Cal. P.U.C. No. 2;

South Coast Storage Co., Inc. Cold Storage Warehouse Tariff No. 1, Cal. P.U.C. No. 1;

Terminal Refrigerating Company Cold Storage Warehouse Tariffs Nos. 7 and 8, Cal. P.U.C. Nos. 7 and 8, respectively;

Union Ice & Storage Company Cold Storage Warehouse Tariff No. 10-A, Cal. P.U.C. No. 25;

Union Ice & Storage Company Cold Storage Warehouse Tariff No. 20, Cal. P.U.C. No. 30;

Union Ice & Storage Company Cold Storage Warehouse Tariff No. 22, Cal. P.U.C. No. 37; and

U. S. Growers Cold Storage, Inc. Cold Storage Warehouse Tariffs Nos. 8, 9, 10, and 11, Cal. P.U.C. Nos. 8, 9, 10, and 11, respectively.

The application states that the existing level of rates and charges do not yield revenues sufficient to permit applicants to conduct their warehouse operations at a reasonable profit. Applicants contend that the sought relief is necessary in order to obtain the necessary revenues to continue in business and to render adequate and efficient service to the public.

The last general adjustment of applicants' tariff rates and charges was made effective June 1, 1973 pursuant to Decision No. 81316 dated May 1, 1973 in Application No. 53509 dated August 4, 1972. The decision authorized a 5.5 percent cost offset rate increase based on adjusted revenues and expenses prevailing during the 1972 test year. The application in this proceeding notes that since the preponderance of the increase in expenses which necessitated the filing of Application No. 53509 occurred in June and July of 1972, applicants experienced a time lag of from nine to ten months before the relief sought was granted by Decision No. 81316. Applicants now contend that in order to offset increases in labor costs which became effective in mid-1973 plus increases in power costs experienced in the fall of 1973, a 6.4 percent interim increase in rates and charges is necessary as quickly as possible in order to reduce the time lag pending hearing on the full relief sought in this proceeding.

All applicants are California corporations except Ontario Ice & Cold Storage Company. They collectively operate approximately 24,000,000 cubic feet of warehouse space as described in their annual reports. In support of the sought relief a series of financial statements pertaining to the results of operations for each applicant for a 12-month period, generally ending with the year 1972 or the first three months of 1973, were appended to the application in the form of Exhibits A through D. Exhibit C of the application is a profit and loss statement for eight applicant warehousemen representing 85 percent of the total revenues of all applicants under present and proposed revenues and actual and adjusted expenses for the 1972 test year.^{3/} A summary of Exhibit C for the eight test warehousemen follows:

3/ The eight applicant test warehousemen are:

1. California Refrigerated Services, Inc.
2. Federal Ice & Cold Storage Company
3. Los Angeles Cold Storage Company
4. National Cold Storage Company
5. Pacific Cold Storage, Inc.
6. Terminal Refrigerating Company
7. Union Ice and Storage Company
8. U. S. Growers Cold Storage, Inc.

TABLE 1

<u>Item</u>	<u>Total for Eight Test Warehousemen</u>
<u>Actual Operations</u>	
Revenue	\$ 9,933,655
Expenses	8,815,854
Operating ratio, after income taxes	94.9%
Rate of return	3.9%
<u>Operations Under Present Rates and Present Expenses</u>	
Revised revenue	\$10,743,353
Adjusted expenses (1)	9,499,767
Operating ratio, after income taxes	94.6%
Rate of return	4.5%
<u>Operations Under Proposed Rates (10%) and Present Expenses</u>	
Proposed revenue	\$11,817,690
Adjusted expenses (1)	9,499,767
Operating ratio, after income taxes	90.3%
Rate of return	8.8%
<u>Operations Under Proposed Interim Surcharge (6.4%) and Present Expenses</u>	
Proposed revenue	\$11,430,927
Adjusted expenses (1)	9,499,767
Operating ratio, after income taxes	91.6%
Rate of return	7.4%

- (1) Adjusted to reflect increased expenses and substitution of landlord costs for landlord rents.

From Table 1 it will be noted that the adjusted expenses for the 1972 test year are \$683,913 greater than the actual expenses of \$8,815,854 for the same 12-month period. This increase in expenses is 6.37 percent of the annual revenues of \$10,743,353 expected to be earned under the present rates authorized by Decision No. 81316.

In Exhibit D of the application the individual operating expense items for the 1972 test year are set forth for each of the eight test warehouses together with the adjustments necessary to reflect the 1973 cost increases and the further modification required to substitute landlord costs for affiliated landlord rents. The adjustments to reflect the 1973 increases in wage, power, and other expenses are:

TABLE 2

1973 Increase in Expenses

Plant wage expense	\$415,793
Clerical wage expense	75,382
Power	180,830
Other	13,069
Total	<u>\$685,074</u>
Minus donations	<u>1,161</u>
	\$683,913

It is the Table 2 costs that applicants now seek authority to offset by an interim surcharge of 6.4 percent pending hearing relative to the further sought increase in rates and charges.

In the following Table 3 a comparison is made of the estimated results of applicants' operations under rates authorized in Decision No. 81316 and the 1972 actual results of operations with the estimated results of operations under the increased rates and charges proposed in Application No. 54471.

TABLE 3

Comparison of Estimated and Actual 1972 Results of Operations
With the Projected Results of Operations Under the
Proposed Rates and Charges for the 1973 Test Year
(After Income Taxes)

Eight Test Warehousemen	1972 Estimated*		1972 Actual		1973 Projected Test Year			
	(1)	(2)	(1)	(2)	6.4% Interim		10% Final	
California	85.9%	16.8%	85.8%	18.9%	83.1%	25.1%	82.2%	27.6%
Federal	91.0	14.2	96.6	4.9	95.2	7.7	93.8	10.2
Los Angeles	89.4	7.1	95.2	2.9	92.8	5.0	91.5	6.0
National	88.8	12.4	101.2	-	97.3	2.7	95.9	4.3
Pacific	83.6	17.3	90.3	7.2	87.4	10.7	86.3	12.0
Terminal	87.4	15.1	88.9	12.5	87.1	16.2	86.0	18.1
Union	98.5	0.6	106.9	-	96.6	1.5	95.1	1.9
U.S. Growers	97.2	2.6	102.3	-	98.2	1.9	96.7	3.7
Total	89.9	8.7	94.9	3.9	91.6	7.4	90.3	8.8

Column (1) Operating Ratios

Column (2) Rates of Return

*Under rates authorized in Decision No. 81316

From the projected and actual results of operations set forth in Table 3 the conclusion may be drawn that the proposed 6.4 percent interim cost offset surcharge would afford the eight test warehousemen an opportunity to experience results of operations generally found to be justified in Decision No. 81316. Accordingly, the proposed 6.4 percent interim cost offset surcharge should be authorized at this time, subject to further review upon consideration of evidence which may be adduced at a public hearing in this matter.

The Commission finds that:

1. Applicants' existing tariff rates and charges were last generally adjusted as of June 1, 1973 pursuant to Decision No. 81316 dated May 1, 1973 in Application No. 53509 filed August 4, 1972. The decision authorized a 5.5 percent increase in tariff rates and charges to offset increases in expenses experienced by applicants generally as of June and July of 1972.

2. Since applicants' tariff rates and charges were last generally adjusted they have experienced further increases in their operating expenses due to increases primarily in labor and power costs occurring during 1973.

3. Applicants have shown that during 1973 their labor, power, and other related costs have increased by approximately \$683,913 for which an immediate 6.4 percent cost offset interim surcharge increase in rates and charges is requested, pending hearing on applicants' proposed 10 percent overall increase in rates and charges.

4. Applicants' proposed interim surcharge of 6.4 percent, pending hearing for the receipt of evidence relative to the full 10 percent sought increase, has been shown to be justified.

5. Union Ice & Storage Company's request to cancel its Cold Storage Warehouse Tariff No. 10-A applicable at Oxnard, concurrently with it becoming a party at such Oxnard location to California Warehouse Tariff Bureau Cold Storage Warehouse Tariff No. 2-H, has merit and should be granted.

The Commission concludes that:

1. Pending hearing on this matter, applicants should be authorized, on not less than five days' notice to the Commission and to the public, to increase their rates and charges by applying thereto an interim surcharge of 6.4 percent.

2. Union Ice & Storage Company should be authorized to cancel its Cold Storage Warehouse Tariff No. 10-A, applicable at Oxnard, concurrently with such utility warehouse operation at Oxnard being added as a participant in California Warehouse Tariff Bureau Cold Storage Warehouse Tariff No. 2-H.

IT IS ORDERED that:

1. Applicants are authorized to increase their rates and charges by an interim surcharge of 6.4 percent subject to the following disposition of fractions rule:

Where the resulting rate is less than 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.

Where 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 nearest whole cent.

2. Union Ice & Storage Company Cold Storage Warehouse Tariff No. 10-A, applicable at Oxnard, is authorized to be canceled concurrently with the addition of such utility warehouse operation at Oxnard as a participant in California Warehouse Tariff Bureau Cold Storage Warehouse Tariff No. 2-H.

3. Tariff publications authorized to be made by the order herein 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.

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4. The authority granted herein 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 this opinion and order constitute a finding of fact of the reasonableness of any particular rate or charge. The filing of rates and charges pursuant to this order will be construed as a consent to this condition.

5. The interim authority granted herein shall expire unless exercised within sixty days after the effective date of this order.

6. A public hearing shall be scheduled in this proceeding for the receipt of evidence relative to Application No. 54471 and full disposition thereof.

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

Dated at San Francisco, California, this 20th day of FEBRUARY, 1974.

Vernon L. Sturgeon
President
William J. Lyons
William J. Lyons
Commissioners

I dissent
J. B. ..., Commissioner