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Decision No. 82722

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of BAY CITIES WAREHOUSE COMPANY, INC.; BECKMAN EXPRESS & WAREHOUSE CO.; BEKINS WAREHOUSING CORP.; BENTLEY MOVING & STORAGE CO.; CAPITOL WAREHOUSE SERVICES, INC.; CENTRAL WAREHOUSE & DRAYAGE CO., INC.; CHICHESTER TRANSPORTATION COMPANY, INC.; CONSOLIDATED DE PUE CORPORATION; James Lennon, dba EAST BAY DRAYAGE & WAREHOUSE CO.; EMERY WAREHOUSE; ENCINAL TERMINALS; GIBRALTAR WAREHOUSES; HASLETT COMPANY; LAWLOR MOTOR EXPRESS, INC.; LYON MOVING & STORAGE CO.; MARCANTELLI WAREHOUSE CO., INC.; NORTHERN CALIFORNIA WAREHOUSE, INC.; John V. Fox, Jr., George F. Fox and Joseph T. Fox, dba JOHN McCARTHY & SON; OVERMYER OF SAN LEANDRO; PACIFIC COAST SERVICE CO.; PASHA WAREHOUSES, INC.; Distribution Centers, Inc., dba RICHMOND DISTRIBUTION CENTER; RICHMOND TRANSFER AND STORAGE COMPANY; ROMEO DRAYAGE & WAREHOUSING COMPANY; SAN FRANCISCO WAREHOUSE CO.; Malcolm W. Lamb, dba SOUTH END WAREHOUSE COMPANY; STATE TERMINAL CO., LTD.; STEWART WAREHOUSES, INC.; THOMPSON-DE PUE COMPANY, INC.; United California Express & Storage Co., dba U.C. EXPRESS & STORAGE COMPANY; Mario Giovannini, dba UNION CITY WAREHOUSE; USCO SERVICES, INC.; Alltrans Express California, Inc., dba WALKUP'S MERCHANTS EXPRESS; and WALTON DRAYAGE & WAREHOUSE CO.; for an Increase in Rates.	Application No. 54589 (Filed January 22, 1974; amended February 5, 1974)

INTERIM OPINION AND ORDER

Applicants are 34 public utility warehousemen collectively operating approximately three million square feet of warehouse space for the storage of general merchandise at various locations in the San Francisco - East Bay Metropolitan Area. The rates charged by applicants for storage and handling and other services incidental

thereto are contained in various California Warehouse Tariff Bureau tariffs.[1/] Applicants now seek ex parte authority for an interim surcharge increase of 10 percent in all warehouse tariff rates and charges, other than storage, pending hearing relative to an overall sought rate increase of approximately 14.75 percent.[2/]

1/ California Warehouse Tariff Bureau:
Warehouse Tariff No. 48-A, CPUC No. 253
Warehouse Tariff No. 49, CPUC No. 220
Warehouse Tariff No. 73, CPUC No. 251
Warehouse Tariff No. 74, CPUC No. 254
Warehouse Tariff No. 75, CPUC No. 255

2/ The specific increases ultimately proposed by applicants, in lieu of the interim 10 percent surcharge sought herein, are:

California Warehouse Tariff Bureau
Warehouse Tariff No. 48-A, CPUC No. 253:

A. To increase the rates named in Item 10 as follows:

(1) To increase the storage rates for a 3/4 cu.ft. package from 2.5¢ domestic storage and 3¢ bonded storage, to 3.2¢ and 3.7¢, respectively.

(2) To increase all other storage rates named in Item 10 by 10.5 percent.

(3) To increase all other rates (other than storage named in Item 10) by 11.5 percent.

B. To increase rates and charges named in the Rules and Regulations section of Warehouse Tariff No. 48-A by 11.5 percent except as follows:

(1) Rule 105: Increase withdrawal charge from $1.25 per order to $1.95 per order.
Increase the charge of 21¢ per withdrawal notice to 24¢ per withdrawal notice.
No increase to be made in the 35¢ line item charge.

(2) Rule 125: Increase the man-hour labor charges of $9.00 straight time and $13.50 overtime to $11.00 and $16.50, respectively.

NOTE: The above increases in Tariff No. 48-A amount to an overall rate increase of 14.75 percent.

California Warehouse Tariff Bureau
Warehouse Tariff No. 49, CPUC No. 220,
Warehouse Tariff No. 73, CPUC No. 251,
Warehouse Tariff No. 74, CPUC No. 254, and
Warehouse Tariff No. 75, CPUC No. 255:

To increase all rates and charges by 14.75 percent.

The application states that the general increase in rates and charges is requested in order to enable applicants to maintain the same operating ratio sought in Application No. 52812 and subsequently authorized in Decisions Nos. 80770 and 81466 of December 5, 1972 and January 12, 1973, respectively. The interim 10 percent surcharge is sought by applicants primarily as an offset for like increases in plant and clerical labor and taxes effective generally as of January 1, 1974. In support of the sought relief applicants have submitted financial and statistical data concerning the results of operation for seven test warehouse operations which represent approximately 72 percent of all applicants' revenues during the test year ended March 31, 1973. Exhibit C attached to the application is an operating statement for the seven test warehousemen showing their results of operations under present and proposed rates, and actual and adjusted expenses for the March 31, 1973 test year. A summary of Exhibit C follows:

TABLE 1

Item	Total for Seven Test Warehousemen
Present Rates & Actual Expenses	
Revenues	$5,095,483
Expenses, before taxes	4,799,140
Operating ratio, after taxes	97.1%
Rate of return	4.6%
Present Rates & Expenses Revised to 1-1-74	
Revenues	$5,095,483
Revised expenses before taxes	5,135,747
Operating ratio, after taxes	101.7%
Rate of return	-
Proposed 10% Surcharge & Expenses Revised to 1-1-74	
Revenue	$5,427,912
Revised expenses, before taxes	5,135,747
Operating ratio, after taxes	97.4%
Rate of return	4.4%

From Table 1 it will be noted that the actual expenses for the March 31, 1973 test year are increased by $336,607 when adjusted to January 1, 1974 to reflect increased labor costs, taxes, and related expenses. Table 1 also indicates that the sought 10 percent interim surcharge is expected to yield $332,429 in additional cost offset operating revenues or approximately $4,000 less than the anticipated increase in expenses for the same period.

In Exhibit D of the application the individual operating expense items for the March 31, 1973 test year are set forth for each of the seven selected warehousemen, together with the adjustments necessary to reflect cost increases as of June 1, 1974. Such adjustments include modifications to reflect the substitution of landlord costs for affiliated landlord rents. The total adjustment required to reflect the increases in expenses revised to June 1, 1974 amounts to $527,868. Of this amount $514,142 is due to labor cost increases. Under the total overall 14.75 percent increase in rates and charges sought in this proceeding it is anticipated that the test warehousemen will realize additional annual gross revenues of some $751,584 to offset increases in labor, taxes, and related expenses of $527,868 effective as of June 1, 1974.

In the following Table 2 a comparison is made of the operating results of the seven test warehousemen under their present rates authorized by Decisions Nos. 80770 and 81466 dated December 5, 1972 and January 12, 1973, respectively, in Application No. 52812 with the like results of operations estimated under the increased rates and charges proposed in Application No. 54589 and adjusted expenses:

TABLE 2

Seven Test Warehousemen	Year Ended 3-31-74 Actual				March 31, 1973 Projected Test Year							
	A		B		C		D		E		F	
	(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)
	(In Percents)											
Central	87.9	60.6	94.3	27.1	88.9	56.7	87.3	66.1	92.4	36.6	90.0	50.1
Encinal	110.4	-	120.8	-	105.3	-	101.9	-	116.9	-	109.8	-
Gibraltar	97.5	12.0	108.6	-	96.4	18.1	94.6	27.8	104.1	-	98.4	7.9
Haslett	95.5	9.2	101.8	-	94.2	13.1	92.7	16.8	98.6	2.9	95.8	9.1
Thompson	97.8	1.2	104.5	-	95.3	3.0	94.1	3.8	101.6	-	97.3	1.6
Walkup's	98.2	6.7	110.4	-	97.5	10.0	95.5	18.1	105.6	-	99.4	2.4
Walton	91.3	47.3	94.1	31.1	88.8	63.8	87.9	69.6	93.1	37.0	90.6	52.0
Total	97.1	4.6	105.1	-	95.4	8.2	93.7	11.3	101.7	-	97.4	4.4

Column A Present rates - Actual Expenses.
" B Present rates - Expenses revised to 6-1-74.
" C Proposed rates (14.75% overall) - Expenses revised to 6-1-74.
" D Proposed rates (14.75% overall) - Expenses revised to 1-1-74.
" E Present rates - Expenses revised to 1-1-74.
" F Proposed rates (10% Surcharge) - Expenses revised to 1-1-74.

(1) Operating ratios, after income taxes.
(2) Rates of return, after income taxes.

Table 2 indicates that under the proposed cost offset 10 percent interim surcharge, the test warehousemen would experience (Column F) relatively the same overall operating results as was previously attained prior to January 1, 1974 under the existing level of rates and charges authorized by Decisions Nos. 80770 and 81466 (Column A). The sought improvement in applicants' operating revenues indicated in Columns C and D of Table 2 is the subject matter of the contemplated hearing in this application. In the interim the proposed cost offset surcharge has been shown to be justified pending hearing for the receipt of evidence relative to the final disposition of the application.

Findings and Conclusion

1. Applicants' established rates and charges were last generally adjusted by Decisions Nos. 80770 and 81466 dated December 5, 1972 and January 12, 1973, respectively, in Application No. 52812.

2. Since applicant's tariff rates and charges were last generally adjusted they have experienced additional increases in their operating expenses due to increases primarily in plant and clerical labor which accounts for approximately 70 percent of applicant's overall expenses.

3. Applicants have demonstrated that as of January 1, 1974 the operating expenses for seven test warehousemen have increased by approximately $336,607 due to related increases in their costs for labor, taxes, and related expenses.

4. Applicants have shown that for seven test warehousemen an interim surcharge of 10 percent in all their tariff rates and charges other than for storage would yield approximately $332,429 in additional annual gross operating revenues. This amount would offset all but about $4,000 of the increase in the operating expenses of the test warehouse group involved as of January 1, 1974.

5. The proposed interim surcharge increase in all of applicants' tariff rates and charges involved herein, other than for storage, pending hearing for the receipt of evidence relative to the further relief sought herein has been shown to be justifed.

The Commission concludes that pending hearing on Application No. 54589, as amended, applicants should be authorized, on not less than five days' notice to the Commission and to the public, to increase all their tariff rates and charges other than for storage, by applying thereto an interim surcharge of 10 percent.

IT IS ORDERED that:

1. Applicants are authorized to increase all their tariff rates and charges, other than for storage, as described in Application No. 54589, as amended, by applying thereto an interim surcharge of 10 percent.

2. 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.

3. 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.

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

5. A public hearing shall be scheduled in this proceeding for the receipt of evidence relative to Application No. 54589, as amended, and full disposition thereof.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 16th day of APRIL 1, 1974.

President

William Symons, Jr.

Commissioners

Commissioner Vernon L. Sturgeon, being necessarily absent, did not participate in the disposition of this proceeding.

I dissent

John Bohan Jr., Commissioner