

ORIGINAL

Decision No. 82766

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)

Vaughan, Paul & Lyons, by John G. Lyons, Attorney
at Law, and Jack L. Dawson, for applicants.
Robert I. Anderson and B. I. Shoda, for the
Commission staff.

FINAL OPINION

Applicants are public utility warehousemen engaged in the storage of commodities requiring refrigeration. Applicants operate in Santa Clara, San Jose, Lincoln, Sacramento, Stockton, Tracy, 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 Warehouse
Tariff 21-D, Cal. P.U.C. 38;
Western Refrigerating & Cold Storage Company Cold
Storage Warehouse Tariff 7, Cal. P.U.C. 7.

Decision No. 82421 dated February 5, 1974 in this proceeding authorized an interim surcharge increase of 5.5 percent in rates in the aforementioned tariffs, pending hearing on applicants' request for a full increase of 10 percent.

Public hearing was held and the matter was submitted before Examiner Mallory in San Francisco on March 22, 1974. There were no protests. The staff of the Commission's Finance and Accounts and Transportation Divisions assisted in the development of the record.

Applicants' tariff publishing agent requested the following amendments to the application:

Added: Merchants Refrigerating Company of California Cold Storage Warehouse Tariff 9, Cal. P.U.C. 9 (Santa Clara) for the full 10 percent increase.

Amended: Union Ice & Storage Company Cold Storage Warehouse Tariff 21-D, Cal. P.U.C. 38. Increase in rates withdrawn from all storage and handling items in the tariff except for Lot Delivery and Small Package Charges.

Western Refrigerating & Cold Storage Company Cold Storage Warehouse Tariff 7, Cal. P.U.C. 7. Increase in rates withdrawn for storage and handling rates for Deciduous Fruits, Berries, Pineapple, and Vegetables:-Freezer Room. (Item 30.)

Applicants' tariff publishing agent presented evidence in support of the application. The witness testified that applicants were last authorized to increase their rates by Decision No. 78893 dated July 13, 1971 in Application No. 52434. Since the date of that decision, applicants have sustained heavy annual wage increases and other increased costs of operations. The witness testified concerning the manner in which Exhibits C and D attached to the application

were developed and presented additional exhibits showing the amount of increased operating expenses incurred by applicants since their rates were increased pursuant to Decision No. 78893. Exhibit 2 shows that in the three-year period through July 1, 1973 wages of forklift operators have increased by an average of \$1.185 per hour or 23.9 percent. Assertedly, the wages of forklift operators are the median of the wages of other operating and general office employees and, therefore, are representative of applicants' total wage costs. Exhibit 3 shows that the wages of general office and operating personnel now represent approximately 52 percent of total operating costs.

The witness stated that the 5.5 percent interim increase authorized by Decision No. 82421 was designed to recover the increased wage costs described above. The witness testified that the balance of the increase sought herein is to cover increased costs which cannot be measured as precisely as the increase in wage costs and for the purpose of improving applicants' profits. The witness stated that the full 10 percent increase sought herein, if granted, would not provide operating ratios or rates of return for the applicants, as a group, more favorable than those authorized in Decision No. 78893.

Exhibits C and D to the application, prepared by the witness, contain 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 and adjustments to said data. 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 percent 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.

Findings

1. Applicants' present rates for their public utility cold storage operations became effective July 28, 1971 pursuant to Decision No. 78893 in Application No. 52434.

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. Further increases in plant labor costs will become effective July 1, 1974 pursuant to labor agreements between applicants and their employees. The level of wages which will become effective July 1, 1974 is not included in the expenses set forth in the tables in the foregoing opinion.

3.a. The composite public utility operations of applicants under Tariff 19 (Table 1) will result in an operating ratio (after taxes) of 94.6 percent and a rate of return of 5.4 percent under the full 10 percent increase sought.

b. The composite public utility operations of applicants under Tariff 20 (Table 2) will result in an operating ratio (after taxes) of 96.0 percent and a rate of return of 3.2 percent if the full 10 percent increase sought herein is granted.

c. The composite operating ratios and rates of return referred to in paragraphs a and b above are less favorable than those authorized to applicants in Decision No. 78893.

d. The operating results which will obtain if the full 10 percent increase is granted will not provide excessive earnings for applicants.

4. The increased rates sought in the application, as amended, are justified.

The Commission concludes that the application, as amended, should be granted as provided in the order which follows.

FINAL ORDER

IT IS ORDERED that:

1. Applicants are authorized to increase the rates and charges set forth in the tariffs covered by this application, as amended, by the establishment of a surcharge of 10 percent in lieu of the interim 5.5 percent surcharge authorized in Decision No. 82421. 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. The authority granted by this order 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.

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

Dated at San Francisco, California, this 23rd
day of APRIL, 1974.

Vernon L. Stearns
 President
 William Symons, Jr.

[Signature]
[Signature]
Commissioners

I abstract

J. H. Walker, Jr., Commissioner