

Decision No. 83246

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;
JOHN DENTONI CONTRACT WAREHOUSE;
James Lennon, dba EAST BAY DRAYAGE &
WAREHOUSE CO.; EMERY WAREHOUSE;
ENCINAL TERMINALS; FILBERT STREET
WAREHOUSE; 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;
WALTON DRAYAGE & WAREHOUSE CO.; and
Bay Area Warehouse Co., dba
WELLSON, INC.; for an Increase in
Rates.

Application No. 54589
(Filed January 22, 1974;
amended February 5, 1974)

Jack L. Dawson, Agent, California Warehouse Tariff
Bureau, for applicants.
Joseph H. Alvarez and Robert I. Anderson, for the
Commission staff.

O P I N I O N

Applicants are 37 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. Applicants' storage and handling rates and charges are published in various California Warehouse Tariff Bureau warehouse tariffs issued by Jack L. Dawson, Agent.^{1/} By Decision No. 82722 dated April 16, 1974 applicants were granted ex parte authority to increase all their rates and charges, other than for storage, by applying thereto an interim surcharge of 10 percent. The decision also directed that public hearing be held for the receipt of evidence relative to the sought overall increase of approximately 14.75 percent, in lieu of the previously authorized surcharge.

Public hearing was held before Examiner Gagnon on June 10, 1974 in San Francisco at which time the matter was submitted. During April 1974 applicants mailed notices of the sought increase to all their storers of record. The sought relief is not opposed.

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

Applicants' specific rate proposal, in lieu of the existing 10 percent surcharge follows:

1. 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: Increases in Tariff No. 48-A amount to an overall rate increase of 14.75 percent.

2. 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

Warehouse Tariff No. 75, CPUC No. 255

Increase all rates and charges by 14.75 percent.

3. Cancel various tariff items specified in applicants' Exhibit 200 as "dead rate items".

The interim 10 percent surcharge authorized by Decision No. 82722 offset like increases in applicants' labor costs and allied expenses effective January 1, 1974. The general rate increase of 14.75 percent now sought in lieu of the present interim surcharge reflects an effort to offset similar cost increases effective June 1, 1974. In addition applicants seek to establish a level of rates which will yield the same general operating results found justified in Decisions Nos. 80770 and 81466 dated December 5, 1972 and January 12, 1973, respectively. In support of the sought relief applicants presented financial and statistical data pertaining to the utility warehouse operations of seven applicants selected as representative of the total warehouse operations involved. The test warehouse group is responsible for over 70 percent of all applicants' revenues. A summary of their results of operations under present and proposed rates for the test rate year ended March 31, 1973 follows:

TABLE 1

<u>Item</u>	<u>Total for Seven Test Warehousemen</u>
<u>Present Rates & Actual Expenses</u>	
Revenues	\$5,095,483
Expenses, before taxes	4,799,140
Operating ratio, after taxes	97.1%
Rate of return	4.6%
<u>Present Rates & Expenses Revised to 1/1/74</u>	
Revenues	\$5,095,483
Revised expenses, before taxes	5,135,747
Operating ratio, after taxes	101.7%
Rate of return	-
<u>Interim 10% Surcharge & Expenses Revised to 1/1/74</u>	
Revenues	\$5,427,912
Revised expenses, before taxes	5,135,747
Operating ratio, after taxes	97.4%
Rate of return	4.4%
<u>Proposed Rates & Expenses Revised to 6/1/74</u>	
Revenues	\$5,847,067
Revised expenses, before taxes	5,327,008
Operating ratio, after taxes	95.4%(1)
Rate of return	8.2%

(1) 91.9% before taxes.

Source: Exhibit C, Application No. 54589.

Table 1 shows that actual operating expenses of the seven test warehousemen for the March 31, 1973 test year are increased by \$527,868 when adjusted to reflect increased labor costs and allied expenses effective generally as of June 1, 1974. Under applicants' rate proposal the test warehousemen are expected to earn some \$751,584 in additional revenues or approximately \$223,716 more than the anticipated increase in March 31, 1973 test year expenses adjusted to June 1, 1974. Applicants' tariff agent introduced (Exhibit 6) updated revenue and expense data for the test warehouse group which reflects their adjusted results of operations for the test year generally ended December 31, 1973. The revised revenue and expense data are:

TABLE 2

	<u>Revenue</u>	<u>Expenses</u>	<u>Operating Ratio</u> (Before taxes)
Central Warehouse & Drayage Co.	\$ 553,248	\$ 472,712	85.4%
Encinal Terminals	427,367	489,124	114.5
Gibraltar Warehouses	524,126	570,476	108.8
Haslett Company	1,382,073	1,423,498	103.0
Northern Calif. Warehouse Co.	1,024,744	1,046,539	102.1
Walkup's Merchants Express ..	980,638	991,676	101.1
Walton Warehouse & Drayage Co.	363,122	334,438	92.1
Total	\$5,255,318	\$5,328,463	101.4%
Labor and rent increase	-	\$ 293,061	107.0%
Revenue under proposed rate ..	\$6,030,477	\$5,621,524	93.2%

The tariff agent contends that the composite operating ratio of 93.2 percent shown in Table 2 for the test warehousemen is not more favorable for operations under the proposed rates than was found justified in Decisions Nos. 80770 and 81466. It is applicants' position that the sought revenue relief is not only essential to their overall financial well-being but is also required to offset increases in labor costs and allied expenses incurred generally as of June 1, 1974.

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 applicants' 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 applicants' overall expenses.

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

4. By Decision No. 82722 issued April 16, 1974 in this proceeding applicants were granted ex parte authority to increase their rates and charges by applying thereto a 10 percent interim surcharge. For the test warehousemen the interim surcharge was expected to 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. As of June 1, 1974 applicants have experienced further substantial increases in their labor costs and allied expenses not reflected in the existing interim surcharge.

6. Under present rates, not including the current interim 10 percent surcharge, the test warehousemen are expected to experience an overall operating ratio of approximately 107.0 percent before taxes for an adjusted test year ended generally as of December 31, 1973 with operating expenses revised to June 1, 1974.

7. Under the proposed general increase of 14.75 percent, in lieu of existing interim surcharge, it is expected that the test warehousemen will enjoy an overall operating ratio of 93.2 percent before taxes for an adjusted test year ended generally as of December 31, 1973 with expenses revised to June 1, 1974.

8. The proposed increases in applicants' rates and charges in lieu of existing temporary 10 percent surcharge authorized by Decision No. 82722, has been shown to be justified.

The Commission concludes that Application No. 54589, as amended, should be granted and concurrently with the effective date of the increased rates and charges authorized herein the interim 10 percent surcharge granted by Decision No. 82722 should be cancelled. Authority to cancel certain specified inactive tariff provisions should also be granted.

O R D E R

IT IS ORDERED that:

1. Applicants are authorized to establish the increased rates and charges proposed in Application No. 54589, as amended, concurrently with the cancellation of the interim 10 percent surcharge authorized by Decision No. 82722 in this proceeding. Authority is also granted to cancel the tariff items listed in Exhibit 2 from California Warehouse Tariff Bureau Tariff No. 49, Cal. P.U.C. No. 220.

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

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

Dated at San Francisco, California, this 6th
day of AUGUST, 1974.

Vernon L. Shergin
President
William J. ...

[Signature]

Commissioners

[Handwritten signatures and notes]