

ORIGINALDecision No. 83625

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
LOYALTY WAREHOUSE CORPORATION, a
California corporation, under
Sections 454 and 491 of Public
Utilities Code for authority to
increase Public Utility Warehouse
Rates.

Application No. 55048
(Filed July 19, 1974)

O P I N I O N

Loyalty Warehouse Corporation (Loyalty) operates as a public utility warehouseman in the Los Angeles area. Loyalty seeks ex parte authority for a 10 percent increase in its rates and charges named in Public Warehouseman Tariff No. 1, Cal. P.U.C. No. 2. Applicant's storers were notified of the sought increase on or about June 10, 1974. No protests or requests for public hearing of the application have been received.

Applicant's tariff rates and charges were last generally revised on March 3, 1972 pursuant to Decision No. 79652 dated February 1, 1972 in Application No. 52677. Since this last rate adjustment Loyalty states that it has or will in the near future experience the following substantial increases in operating expenses:

1. A 12 percent increase in wages to union personnel as follows:
 - (a) July 1, 1972 - 38 cents per hour.
 - (b) July 1, 1973 - 30 cents per hour.
2. An increase of approximately 15 percent in nonunion personnel wages in 1972 and 1973.
3. A planned increase in nonunion personnel wages and salaries of 25 percent for 1974 and 1975.
4. A contractual increase in wages and salaries of 12 percent to union personnel for 1974 and 1975.
5. A contractual increase in pension payments of 66 percent to union personnel for 1974 and 1975.

6. Under existing lease provisions an increase in Loyalty's share of property tax increases for 1973-1974 amounted to 6.66 percent and a further 12 percent increase is expected for the 1974-1975 tax year.

Attached to the application is a copy of applicant's latest available balance sheet as of December 31, 1973. Comparative income statements reflecting the results of Loyalty's operations for the years ended December 31, 1971, 1972, and 1973 were submitted together with the estimated results of operation for a projected 1974 rate year under the proposed increased rates and adjusted expenses. A summary of applicant's operating income statements follows:

TABLE 1
LOYALTY WAREHOUSE CORPORATION
Statement of Operating Income and Expenses
(Actual for Period 1971-1973 and Estimated for
Projected 1974 Rate Year Under Proposed Rates
and Adjusted Expenses)

<u>Accounts</u>	<u>Historical Years</u>			<u>Projected Rate Year</u>
	<u>1971</u>	<u>1972</u>	<u>1973</u>	
Operating Income	\$460,177	\$701,692	\$758,854	\$835,000
Operating Expenses	<u>486,646</u>	<u>762,234</u>	<u>702,392</u>	<u>768,050</u>
Profit or (Loss)				
Before Taxes	\$(26,469)	\$(60,542)	\$ 56,462	\$ 66,950
Federal and State Income Taxes	<u>100</u>	<u>200</u>	<u>4,590</u>	<u>28,900</u>
Net Profit or (Loss)				
After Taxes	\$(26,569)	\$(60,742)	\$ 51,872	\$ 38,050
Operating Ratio				
After Taxes	105.77%	108.66%	93.16%	95.44%

An analysis of the adjusted expenses projected by Loyalty for the 1974 test year reveals that a 40 percent increase in executive salaries is proposed. The Commission's Transportation Division staff considers such an increase to be excessive for ratemaking purposes and suggests that executive salaries be held to an approximate 13 percent increase. Accordingly, the staff recommends that Loyalty

be granted ex parte authority to increase its rates by 8 percent in lieu of the sought 10 percent increase. Applicant, in turn, has advised the Commission by letter that it concurs with the staff recommendation.

The Commission finds that applicant's sought relief when modified to reflect increases in tariff rates and charges not exceeding 8 percent has been shown to be justified. It is concluded that Application No. 55048 should be granted to the extent set forth in the order herein.

O R D E R

IT IS ORDERED that:

1. Loyalty Warehouse Company, a corporation, is authorized to increase by 8 percent the rates and charges for public utility warehouse services set forth in its Public Warehouseman Tariff No. 1, Cal. P.U.C. No. 2.

2. In effecting the proposed increases, fractions will be disposed of as follows:

When the resulting rate is under 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.

When 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 next whole cent.

3. Tariff publications authorized to be made as a result of the order herein 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 hereof on not less than five days' notice to the Commission and the public.

4. The authority herein granted is subject to the express condition that applicant will never urge before the Commission in any proceeding under Section 734 of the Public Utilities Code, or in any other proceeding, that the opinion and order herein constitutes

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

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

6. To the extent not authorized herein Application No. 55048 is denied.

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

Dated at San Francisco, California, this 22nd
day of OCTOBER, 1974.

Thomas L. Sturgeon
President
William Symons, Jr.

Thomas Moran
Commissioners

Commissioner Thomas Moran, being necessarily absent, did not participate in the disposition of this proceeding.

I dissent
William Symons, Jr., Commissioner