

ORIGINAL

Decision No. 84092

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
of MERCHANTS REFRIGERATING COMPANY
OF CALIFORNIA, UNION ICE & STORAGE
COMPANY, and WESTERN REFRIGERATING
& COLD STORAGE COMPANY for an
Increase in Rates.

Application No. 55221
(Filed October 1, 1974)

Vaughan, Paul and Lyons, by John G. Lyons, Attorney
at Law, and Jack L. Dawson, for applicants.
Joe Alvarez, for the Commission staff.

O P I N I O N

Applicants, Merchants Refrigerating Company of California (Merchants), Union Ice & Storage Company (Union), and Western Refrigerating & Cold Storage Company (Western), are public utility warehousemen engaged in the storage of commodities requiring refrigeration at Modesto, Salinas, Santa Cruz, San Martin, and Santa Maria. Collectively these applicants operate approximately 10,382,000 cubic feet of warehouse space in their warehouses which are covered by this application.

The rates charged by these applicants for freezing, storage, and other services incidental thereto are contained in one or more of the following listed tariffs:

California Warehouse Tariff Bureau Cold Storage
Warehouse Tariff No. 20, Cal. P.U.C. No. 229.

Merchants Refrigerating Company of California
Cold Storage Warehouse Tariffs Nos. 1, Cal. P.U.C.
No. 1 (Modesto) and 2, Cal. P.U.C. No. 2 (Salinas).

Union Ice & Storage Company Cold Storage Warehouse
Tariff No. 21-F, Cal. P.U.C. No. 43 (Santa Cruz).

Western Refrigerating & Cold Storage Company Cold
Storage Warehouse Tariffs No. 5, Cal. P.U.C. No. 5
(Santa Maria), and No. 9, Cal. P.U.C. No. 9 (San Martin).

California Warehouse Tariff Bureau Cold Storage
Warehouse Tariff No. 12, Cal. P.U.C. No. 87.

Applicants seek a 10 percent increase in their rates and charges set forth in Merchants Refrigerating Company of California Cold Storage Warehouse No. 2, Cal. P.U.C. No. 2; Union Ice and Storage Company Cold Storage Warehouse Tariff No. 21-F, Cal. P.U.C. No. 43; and Western Refrigerating & Cold Storage Company Cold Storage Warehouse Tariffs No. 5, Cal. P.U.C. No. 5, and No. 9, Cal. P.U.C. No. 9. Merchants seeks to amend its Tariff No. 1, Cal. P.U.C. No. 1, as set forth in Exhibit A attached to the application.

Public hearing was held before Examiner O'Leary at San Francisco on November 22, 1974 at which time the matter was submitted.

Notice of the proposed increases were sent to each of applicants' storers. None of the storers have registered any objection to the proposed increases.

Evidence in support of the requested increases was presented by applicants' tariff agent, and by several individual warehouse officials.

The principal commodities affected by this application are fruits and vegetables received for freezing and/or storage at Modesto, Salinas, San Martin, Santa Cruz, and Santa Maria. These products constitute the major portion of applicants' business at the warehouses located at Salinas, San Martin, Santa Cruz, and Santa Maria, and a much smaller percentage of business at Modesto. Also, the principal account storing fruits and vegetables stores at all these locations. Merchants at Modesto is also seeking an upward revision of its poultry rates to place them more in line with the current rates being assessed by other warehousemen in northern California. The fruit and vegetable rates involved at all locations except Modesto were last adjusted under Decision No. 82766 in Application No. 54491 and Decision No. 81849 in Application No. 54166. Such rates were last adjusted at Modesto pursuant to Decision No. 78893 dated July 13, 1971 in Application No. 52434. Merchants at Modesto has not received any adjustment in the level of its poultry rates since its tariff was published in 1955. Merchants seeks to cancel Item 150 of its Cold Storage Warehouse Tariff No. 1, Cal. P.U.C. No. 1, since it no longer stores New York dressed poultry.

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The principal portion of applicants' evidence consists of summaries of operating revenues, expenses and net income on an historical basis, and for a test year under current operating expenses and present and proposed rates which are set forth in Exhibit D attached to the application as follows:

	Merchants Refrigerating Co. of Calif. Modesto & Salinas	Union Ice & Stg. Co. Santa Cruz	Western Ref. & Cold Stg. Co. San Martin Santa Maria
Year Ended	3/31/74	12/31/73	2/28/74
<u>Actual Rates & Recorded Expenses</u>			
Revenue	\$3,380,750	\$311,040	\$1,889,132 *
Expenses Before Taxes	2,614,771	249,082	1,551,905 #
Profit or (Loss) Before Taxes	765,979	61,958	337,227
Income Taxes	397,018	26,139	171,151
Expenses After Taxes	3,011,789	275,221	1,723,056
Profit or (Loss) After Taxes	368,961	35,819	166,076
Net Property and Equipment	4,363,582	452,414	3,205,080
Working Capital	446,846	39,291	264,456
Rate Base	4,810,428	491,705	3,469,536
Operating Ratio After Taxes	89.1%	88.5%	91.2%
Rate of Return After Taxes	7.7%	7.3%	4.8%
<u>Present Rates and Revised Expenses</u>			
Revenue	3,484,279	332,102	2,008,786 *
Expenses Before Taxes	2,766,693	268,454	1,661,142 #
Profit or (Loss) Before Taxes	717,586	63,648	347,644
Income Taxes	371,524	27,030	176,639
Expenses After Taxes	3,138,217	295,484	1,837,781
Profit or (Loss) After Taxes	346,062	36,618	171,005
Rate Base	4,831,499	495,082	3,488,657
Operating Ratio After Taxes	90%	90%	91.5%
Rate of Return After Taxes	7.2%	7.4%	4.9%
<u>Proposed Rates and Revised Expenses</u>			
Revenue	3,646,463	363,212	2,195,735 *
Expenses	2,766,693	268,454	1,661,142 #
Profit or (Loss) Before Taxes	879,770	94,758	534,593
Income Taxes	456,963	43,419	275,124
Expenses After Taxes	3,223,656	311,873	1,936,266
Profit or (Loss) After Taxes	422,807	51,339	259,469
Rate Base	4,845,739	497,814	3,505,071
Operating Ratio After Taxes	88.4%	85.9%	88.2%
Rate of Return After Taxes	8.7%	10.3%	7.4%
Net Prop. & Equipment - Depreciated	40%	50.6%	28.7%

* Includes \$139,295 Nonutility Revenue.

Includes \$ 89,587 Nonutility Expense.

The largest increase in direct expenses is due to increased expenses in labor and the cost of power.

The Commission staff did not present any direct evidence; however, it recommended that the rate increase only be authorized to the extent it would result in an operating ratio of not less than 90 percent.

Applicants here seek increases in their individually published tariffs. Had applicants sought increases for a single tariff to which they were all participants, such as a bureau tariff, any increase granted would be based upon the results of the most efficient operator.

Findings

1. Applicants' fruit and vegetable rates, with the exception of Merchants Refrigerating Company of California at Modesto, were last adjusted by Decision No. 81849 dated September 12, 1973 in Application No. 54166 and Decision No. 82766 dated April 23, 1974 in Application No. 54491.

2. The fruit and vegetable rates of Merchants Refrigerating Company of California at Modesto were last adjusted by Decision No. 78893 dated July 13, 1971 in Application No. 52434. ✓

3. Merchants Refrigerating Company of California at Modesto has not adjusted the level of its poultry rates since 1955.

4. Since applicants' fruit and vegetable rates were last adjusted they have experienced additional increases in their operating expenses due to increases primarily in labor and cost of power.

5. The proposed increases in applicants' rates and charges have been shown to be justified.

6. Merchants Refrigerating Company of California at Modesto no longer stores New York dressed poultry.

The Commission concludes that Application No. 55221 should be granted.

O R D E R

IT IS ORDERED that:

1. Merchants Refrigerating Company of California, Union Ice & Storage Company, and Western Refrigerating & Cold Storage Company are authorized to establish the increased rates proposed in Application No. 55221. Merchants Refrigerating Company of California is authorized to cancel Item 150 of its Cold Storage and Warehouse Tariff No. 1, Cal. P.U.C. No. 1. 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 thirty days after the effective date of this order on not less than thirty days' notice to the Commission and to the public.

2. The authority shall expire unless exercised within ninety days after the effective date of this order.

3. 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 19th
day of FEBRUARY, 1975.

Vernon L. Sturges
President
William J. Quinn
Edna Doe
Leonard Ross
Commissioners