

Decision No. 84097**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
PACKERS' COLD STORAGE, INC. for a  
rate increase.

Application No. 55264  
(Filed October 21, 1974;  
amended November 27, 1974)

INTERIM OPINION

Packers' Cold Storage, Inc. (Packers) is a public utility warehouseman operating a total of 463,322 square feet of space at eight locations in the cities of Anaheim, Fullerton, and La Habra for the storage of commodities requiring refrigeration, as well as commodities not requiring refrigeration. The rates charged by applicant for freezing, cooling, storage, handling, and other services incidental thereto, and the rules governing application of the rates are contained in Packers' Cold Storage, Inc. Warehouse Tariff No. 100. The last general adjustment in those rates and charges was a 10 percent increase authorized by Decision No. 83002 (1974). By this application, as amended, Packers seeks authority to increase all rates by 10 percent. Packers alleges that its present rates do not yield revenues sufficient to allow it to conduct warehouse operations at a reasonable profit, and that the sought increases are necessary to enable it to continue in business and to render adequate and sufficient service to the public.

Applicant states it has experienced a reduction in revenue compared to forecast for the first seven months of 1974 in Application No. 54837. This trend in reduced revenues continued into succeeding months through September 1974 as verified by customer billings. It is the considered opinion of applicant that the principal factors responsible for the reduction in actual versus forecast income and a continuing reduction in forecast revenue are as follows:

- (a) Inventory Turnover: Some reduction in velocity of inventory turnover during inflationary period as the consumer searches for ways to stretch the food dollar. Increased velocity of product movement produces increasing revenues from storage space in addition to better utilization of labor and, in turn, increased handling income. The drop has occurred as a decrease in projected growth allotted principally to high value convenience foods, fruit, and nonfood products warehoused by applicant.
- (b) Labor Strike: The effects of an eight-day labor strike during late August 1974 cut down on activity during this period with some loss of revenue. Increased cost of operating with temporary labor under strike conditions prevented a corresponding drop in cost of labor during this period. Principal drop in revenue occurred as a result of customers bypassing applicant's warehouses prior to, during, and for a short period following the strike. Applicant's projected margin of profit for 1974 is not substantial enough to withstand even the short strike which had not been projected.
- (c) Affiliate Services: Some nominal loss in revenue through balance of year will result from reduction in affiliate contract labor now discontinued for the final quarter of 1974. Reduction in wages and salaries during period of approximately \$12,000 to reasonably balance projection for year and compensated for in 1975 projections.

Applicant further states that it did not anticipate further increased utility rates which it has recently experienced because of the energy crisis.

Attached to the amendment to the application is a projected revenue and expense study for 1975. It discloses that if the sought increase is granted it will result in an operating ratio of 96.8 percent for 1975.

The Commission's Transportation Division staff has reviewed the application. The staff points out that applicant's cost justification is primarily related to increases applicable to the cold storage operation and recommends that the increase be granted as to cold storage but be denied as to dry storage.

Notices of the application and amendment thereto were listed on the Commission's Daily Calendar of October 24, 1974 and December 3, 1974, respectively. Applicant's storers have been informed of the relief sought. There are no protests other than the staff recommendations.

Findings

1. Applicant's present tariff rates and charges do not provide revenues sufficient to meet expenses incurred in providing public utility warehouse services as to cold storage.

2. Applicant has demonstrated a need for additional revenues for its public utility warehouse operations as to cold storage.

3. The proposed increase as to cold storage will not produce excessive earnings for applicant.

4. The proposed increase as to cold storage has been shown to be justified.

The Commission concludes that pending hearing on the matter, applicant should be authorized on not less than five days' notice to the Commission and to the public to increase its rates and charges applicable to its cold storage by 10 percent.

INTERIM ORDER

IT IS ORDERED that:

1. Packers' Cold Storage, Inc. is authorized to establish as interim rates, the increased rates proposed in Application No. 55264, as to cold storage only. 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.

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 applicant 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. A public hearing shall be scheduled in this proceeding for the receipt of evidence relative to Application No. 55264 and full disposition thereof.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 19th  
day of FEBRUARY, 1975.

Vernon L. Sturgeon  
President

William J. Brown

[Signature]

Leonard Ross  
Commissioners