

Decision No. 89041 JUN 27 1978

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of METROPOLITAN DISTRIBUTION CEN-)
TERS, INC. (formerly METROPOLITAN)
WAREHOUSE CO.) for an Increase in)
Rates.)

Application No. 58079
(Filed May 1, 1978)

OPINION AND ORDER

Applicant is a public utility warehouseman for the storage of general commodities at Los Angeles. The rates, rules and regulations governing applicant's operations are contained in Western Motor Tariff Bureau, Inc., Agent, Warehouse Tariff Nos. 1 and 2, P.U.C. Nos. 35 and 36, respectively, and Metropolitan Distribution Centers, Inc. Tariff No. 3, Cal. P.U.C. No. 3.

Applicant requests authority to increase rates by 15.3 percent for storage and 10.3 percent for all other services. The requested increases are estimated to produce an overall revenue increase of approximately 12.8 percent and has been determined by applicant without consultation or agreement with any other warehousemen. If the authority is granted, the increased rates will be published in an individual tariff as a surcharge.

Applicant alleges that its present rates do not yield sufficient revenue to allow it to conduct its warehouse operations at a profit.

Applicant's rates were last adjusted pursuant to authority granted by Decision 87573 dated July 12, 1978 in Application 57343.

Applicant further alleges that additional revenue is required because of increased costs in all phases of operation, the most significant being the increased cost of plant and clerical labor.

Exhibit E, attached to the application, contains revenue and expense data for the test year ended December 31, 1977 together with adjustments to reflect the proposed increase in revenue should

the application be granted. The exhibit discloses that during the test year applicant sustained a loss of \$237,815 and an operating ratio of 107.6 percent. Had the sought rates been in effect during the test year applicant would have realized a profit of \$57,621 and an operating ratio of 98.9 percent.

Notice of the proposed increases was sent to each of applicant's storers. The Joan of Arc Company objected to the granting of the proposed increases stating that they were exorbitant and that the increases granted to warehousemen in recent years by far exceeded the comparable growth in the cost of living index. Furthermore, the food industry operates on less than a 3 percent profit margin in a highly competitive market. Also, there is no room to absorb these cost increases which would further dilute an already low margin of profit.

Protestant has not furnished evidence to support its allegations. It can be seen with some degree of certainty that the upward trend of inflationary pressures in the economy continues to affect warehouse operations adversely. In view of the operating loss now being incurred by applicant from the assessment of the current rates, the proposed rate increases should be granted. Moreover, protestant has the option of selecting other warehousemen whose storage rates are low enough to meet its needs.

FINDINGS

1. Applicant's rates were last adjusted by Decision 87573 dated July 12, 1978, in Application 57343.
2. Since applicant's rates were last adjusted it has experienced increases in operating expenses, the most significant being the increased cost of plant and clerical labor.
3. Under the increases sought herein applicant estimates it will realize additional revenue of \$295,436 and an operating ratio of 98.9 percent.
4. The proposed increases in applicant's rates and charges have been shown to be justified.

5. A public hearing is not necessary.

IT IS ORDERED that:

1. Metropolitan Distribution Centers, Inc., is authorized to establish the increased rates proposed in Application 58079. 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.

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

Dated at San Francisco, California, this 27th day of JUNE, 1978.

William Lyons, Jr. President
Vernon L. Sturgeon
Richard P. Harbo
Paul J. DeBrie Commissioners

Commissioner Robert Batimovich, being necessarily absent, did not participate in the disposition of this proceeding.