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Decision No.

ORIGINAL

Decision No. 2829

BEFORE THE RAILROAD COMMISSION OF
THE STATE OF CALIFORNIA.

In the Matter of the Application of FARMERS COOPERATIVE UNION for au- thority to increase the rates of storage charges on rice and other grain, in Biggs, Butte County.)	<u>Application</u>
)	<u>No. 1875.</u>

Henry Ingram for applicant.

E. E. Barnard in propria persona,
protestant.

J. D. Jones in propria persona,
protestant.

BY THE COMMISSION.

O P I N I O N

This is an application by FARMERS COOPERA-
TIVE UNION, a corporation, hereinafter referred to
as the "warehouse company", for permission to in-
crease its rates for the storage of rice and other
grain in its warehouse in Biggs, Butte County.

Applicant owns and operates a brick ware-
house in the City of Biggs, having a storage capaci-

ty of approximately 6,000 tons of grain.

The rates at present charged by the warehouse company are as follows:

For the storage of rice piled in the ordinary way:

\$.40 per ton for the first month,
.25 per ton for each additional month.
1.00 per ton for the season ending May 20th.

For the storage of all other grain:

\$.40 per ton for one month,
.50 per ton for two months,
.75 per ton for the season.

Applicant further assessed a charge of \$2.00 per ton for the storage of all rice "ricked" or "cribbed" for the season ending in May, 1915.

The warehouse company introduced evidence as to its gross receipts and disbursements for the years ending June 1, 1912, 1913 and 1914, said statements showing average annual gross receipts amounting to \$5,068.22 and average annual operating expenses (not including interest or depreciation) amounting to \$5,327.55 - an apparent annual average loss of \$2,259.31.

The evidence further showed, however, that the company's president and manager was crediting himself with a salary of \$1,800.00 per year, and that there were a number of items charged to operating expenses which should have been charged to capital account. It appears that this officer has several

other important business interests and apparently devotes only about one-fourth of his time to the management of the warehouse. We find that a salary of \$500.00 per year is at least a liberal one.

No figures were given as to the operating expenses for the season ending June 1, 1915, but using the preceding season as a basis we find that the operating expenses of \$5,135.91 claimed by applicant could be cut down to \$3,655.66 by the elimination of \$1,200.00 of the manager's salary and various other items improperly charged to operating expenses.

Evidence was introduced to the effect that Mr. W. M. Doty, the warehouse company's president, used a considerable floor space for the storage of his own machinery and hardware and in the operation of a small private feed mill in said warehouse. We find that Mr. Doty is receiving facilities from the warehouse reasonably worth \$175.00 per year, and that the warehouse/^{company} should charge, and receive from him, that sum so long as he continues to use his present amount of space.

The figures thus revised show the average annual receipts for the above three years to be \$3,243.22 and the reasonable and proper operating expenses, including taxes, to be approximately \$3,650.00. None of these figures includes interest or depreciation.

Evidence was introduced at the hearing to

the effect that the warehouse was built in 1884 at a cost of \$20,500. for the building alone, in addition to which \$1,500.00 was spent for the land on which the building is located, \$1,500.00 for a spur railroad track, and \$1,000.00 for grading and filling.

The land comprises about five acres, but not more than one-third of this is at present covered by the warehouse or the necessary space for roadways surrounding it. On the other hand, a certain amount of the remaining land was used for furnishing earth for the fill. We find the reasonable value of the land necessary for and appurtenant to the warehouse, including the land upon which it is situated, to be \$750.00.

A few years ago a concrete floor was substituted for the wooden floor over a portion of the building, at a cost of \$1,000.00. Additional charges to the capital account, such as trucks, an electric grain elevator and installation of electric wiring, bring the total cost new of all the warehouse company's property, according to the figures furnished by it, up to \$25,250.00.

Considerable conflicting evidence was introduced as to the additional cost of storing rice where it is "cribbed" or "ricked", on account of both the additional labor and additional space required in this form of piling. This conflict in the evidence was due in large part no doubt to the fact that this

method of storage is a new one in California and at best neither side could do more than make rather theoretical estimates. The warehouse company asked that the rates be increased an additional \$1.00 per ton for rice so stored but from all the evidence introduced we have concluded that an increase of \$.70 per ton is as fair an estimate of the proper charge for this special service as the Commission is able to make at this time.

There was also considerable evidence introduced as to when the storage season on rice should commence, the warehousemen insisting that the season ought to be the same as that for grain, which commences June 1st, while the protestants claimed that it should not commence until September 15th. We find that the season ought to commence not earlier than August 15th, which will give the farmers an additional two and a half months in which to sell their rice, without inflicting any hardship upon the warehousemen.

Evidence was also introduced by applicant to the effect that more service is required in the handling of rice than in the handling of other grain and particularly that more care has to be exercised when the rice received is even slightly damp or green, and also that it is the custom of the rice buyers to sample in the warehouse practically every sack of rice bought before accepting delivery. This necessitates considerable additional handling.

Some evidence was introduced as to the management not having been efficient in the past and the service not having been always satisfactory. We are basing the rates hereinafter authorized upon the assumption that henceforth the warehouse company will render absolutely first-class service in every respect, and that it will employ all reasonable means to prevent a recurrence of congestion in the handling of rice at its warehouse.

O R D E R

FARMERS COOPERATIVE UNION, a corporation, having applied to the Railroad Commission for an order authorizing an increase in rates for the storage of rice and other grain in its warehouse at Biggs, Butte County, and a public hearing having been held upon said application, and the said application having been submitted and being now ready for decision, the Commission hereby finds as a fact that the rates hereinafter authorized are just and reasonable rates to be charged by said applicant.

Basing its conclusions upon the foregoing finding of fact and on the other findings which are contained in the Opinion which precedes this Order,

IT IS HEREBY ORDERED that applicant be authorized to charge and collect the following rates, viz:

For storage of rice piled in the ordinary manner:

\$.80 per ton for the first two months,
1.00 per ton for the season, from August 15th
to and including the 14th of the follow-
ing August.

For the storage of rice when "ricked" or "cribbed":

\$1.50 per ton for the first two months,
1.70 per ton for the said season.

For the storage of all other grain:

\$.75 per ton for the first two months,
.90 per ton for the season, from June 1st
to and including May 31st.

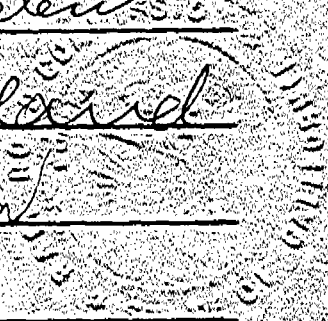
IT IS FURTHER ORDERED that the collection of this rate shall be conditioned upon the rendering of first-class service comprising all the facilities heretofore given, such as receiving, weighing, piling, carrying in storage and such other service as it is customary for warehousemen similarly situated to give, and in addition thereto all necessary resacking, including the furnishing of sacks, or otherwise placing of rice and other grain in proper condition for shipment.

IT IS FURTHER ORDERED that the rates herein authorized shall become effective upon all rice immediately upon filing with the Railroad Commission a schedule, in duplicate, showing the same and the conditions upon which they may be collected, and upon all other grain for the season commencing June 1, 1916; provided that the warehouse company shall, within thirty (30) days from the receipt of a certified copy of this Order, file with the Railroad Commission said schedule, in duplicate, showing the rates

on both rice and other grain.

Dated at San Francisco, California, this 22nd
day of October, 1915.

Max Thelen
H. D. Howard
W. J. ...



Commissioners.