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Decision No. ✓

ORIGINAL

Decision No. 3295

BEFORE THE RAILROAD COMMISSION OF  
THE STATE OF CALIFORNIA

In the matter of the application	)	
of CALIFORNIA WHARF & WAREHOUSE	)	
COMPANY, a corporation, for an	)	<u>Application</u>
order authorizing an increase in	)	
rates for the storage of grain	)	<u>No. 2096.</u>
in its warehouses located in	)	
Merced County.	)	

F. W. Henderson for Applicant.

BY THE COMMISSION.

O P I N I O N

This is an application by CALIFORNIA WHARF & WAREHOUSE COMPANY to increase rates for the storage and incidental handling of grain in its warehouses located at Merced, Tuttle, Planada, Le Grand, Dickinson and Marguerite, Merced County, California. Applicant also operates warehouses at Port Costa, Stockton and Brentwood and owns some warehouse property in San Francisco, where its principal place of business is located. The same seasonal rate of One (\$1.) Dollar

per ton on grain prevails at each of applicant's warehouses, although rates for the shorter periods of storage at warehouses located in Merced County differ somewhat from the less-than-season charges assessed at applicant's warehouses in other counties.

Applicant's present rates for the storage of grain are as follows:

Receiving, weighing and loading grain through warehouse for immediate shipment	\$ .25 per ton.
Receiving, weighing and storing until September 1st .....	.50 per ton.
Receiving, weighing and storing until January 1st .....	.75 per ton.
Receiving, weighing and storing until June 1st .....	1.00 per ton.

These rates if increased as requested would be modified in the following manner:

Weighing and shipping through warehouse .	\$ .50 per ton.
Storage, first month .....	.50 per ton.
Storage, second month .....	.25 per ton.
Storage, third month and balance of season .....	.25 per ton.

As may be seen, grain is stored at all of applicant's warehouses in Merced County from time of harvest to September first for fifty cents per ton and to January first for seventy-five cents per ton. At Port Costa, Stockton and Brentwood fifty cents per ton is charged for the first two months, or seventy-five cents per ton if stored for three months. Whether the one or the other system of rates would be advantageous to the patron would depend entirely upon when such patron offered his grain for storage. These differences

appear to have been largely matters of custom in the particular vicinity affected and not the result of an effort to establish a system of rates based upon any theory of rate making.

In addition to the storage of grain, applicant receives considerable quantities of hay and flour, the former at Merced and Le Grand only. A small amount of wool is also handled. The company's annual reports to the Commission for 1914 and 1915 do not show the tonnage segregation as to commodities, but grain was handled as follows:

	<u>1913-14</u>	<u>1914-15</u>
Port Costa Warehouse .....	47,300 tons.	104,100 tons.
Interior Warehouses .....	<u>10,800 tons.</u>	<u>39,100 tons.</u>
Total .....	58,100 tons.	143,200 tons.

These reports, which are made under the direction of Balfour, Guthrie & Co. of San Francisco, manager of applicant herein, show a net profit of \$3,119.03 for the year 1913-14 and \$30,817.08 for 1914-15. However, it should be noted that this showing includes the whole of applicant's business, about seventy-five per cent. of which was transacted at Port Costa.

This application seeks to adjust rates in Merced County only, but no segregation of accounts was submitted which would enable the Commission to determine whether applicant is in fact receiving a reasonable return on its money invested there. The company's agent, who was the principal witness for appli-

cant at the hearing, while not able to furnish figures to show the result of operations in Merced County, as distinguished from the company's activities elsewhere, admitted that, taken as a whole, the income of the company is satisfactory and that by the application the company seeks an adjustment of rates on the theory that the present rates are inequitable in some instances and below actual cost of service in others, and not for the purpose of taking care of any general deficit.

Testimony indicated that not more than one per cent. on an investment of approximately \$40,000., or about \$400., would be the aggregate increase if allowed, assuming that the practices of patrons at the time of storage would not change under new conditions. There were no figures to show upon what class of patrons the additional burden would fall, nor could it be determined whether any advantage would accrue either to warehouseman or patrons, except only as to increased revenue itself. In other words, a change in the basis upon which storage charges are assessed might result in a falling off in the amount of grain offered for storage, bring about shorter periods of storage, or otherwise enable patrons to take advantage of the changed conditions: or, on the other hand, pay higher rates because of failure or inability to utilize the more favorable storage periods.

The evidence showed that during the year 1915 one hundred forty-six (146) farmers, or storers, took advantage of the rates and facilities offered by appli-

cant at its ten warehouses located in Merced County, about twenty of whom appeared at the hearing to protest against an increase in warehouse rates. The protest, however, was withdrawn when it was learned that the total increase in revenue through the company's entire warehouse business in the county probably would be less than \$400. per annum. It was also understood that should the increase be allowed and the burden fall on any class of patrons in such manner as to amount to discrimination, the Commission, upon notice, would take prompt action to remove such discrimination. There was no complaint from protestants bringing into question the efficiency of the service rendered by applicant, nor do the records of the Commission disclose any such complaint.

It was shown by testimony that applicant's warehouses involved in this proceeding have been in service from ten to twenty-five years and represent a capital investment as follows:

<u>Location of Warehouse</u>	<u>Size of Warehouse</u>	<u>Value.</u>
Merced, hay warehouse	50 x 150	\$ 5000.
Merced, grain warehouse	100 x 150	10000.
Tuttle,	60 x 150	4000.
Planada, wooden warehouse	50 x 150	2500.
Planada, iron warehouse	60 x 150	4000.
Le Grand, wooden warehouse	50 x 150	2500.
Le Grand, iron warehouse	60 x 250	6000.
Dickinson,	50 x 150	3500.
Marguerite,	60 x 150	4000.
		<u>\$41500.</u>

Applicant has paid dividends as follows:

1911, \$5.00 per share on 2,500 shares - \$12,500.  
 1912, None.  
 1913, \$5.00 per share on 2,500 shares - \$12,500.  
 1914, None.  
 1915, \$10. per share on 2,500 shares - \$25,000.

Thus it appears that \$4. per share has been the average dividend paid since 1911, each share being valued at \$100.00.

Applicant maintained that the actual cost of receiving, weighing and loading grain through its warehouses is in excess of twenty-five cents per ton, as at present charged, and that such service is worth not less than fifty cents per ton. The evidence supported this contention. It was also argued by applicant that the present rates for storage are not only too low for the service rendered, but that the same are inequitable when considered from the storer's standpoint, in that a person whose grain is placed in the warehouse in June may have the benefit of three months' storage, or to September 1st, for the same charge as that paid by a grower who offers his grain for storage during the last days of August - the rate being fifty cents per ton to September 1st in either case.

While there may be but little room for doubt as to the actual advantage in favor of the farmer who is ready to avail himself of the longer periods of storage at a given rate, the same object sought by warehouseman - the elimination of inequalities as to storage periods - may be accomplished by extending such periods so as to afford storage a specified number of months after grain has been received. This, of course, would effect a reduction in revenue to the company. Under applicant's proposed schedule there would at least result this advantage - there would no longer be

any doubt (as there seems to be at the present time) as to proper storage charge to assess on grain offered after September 1st and removed before January 1st following. Applicant, under its rate on file with the Commission, charges the owner of grain with the cost of resacking, which, of course, may affect the market price when the grower disposes of his grain.

We believe from the testimony that the charge of twenty-five cents per ton for passing grain through the warehouse should be increased to thirty-five cents per ton. Applicant's patrons, as represented at the hearing, admitted that this service was reasonably worth more than twenty-five cents per ton. Although the evidence was not conclusive as to the necessity for any other adjustment of rates when considered from a revenue standpoint, uniformity and the removal of possible discriminations in the service suggest that the rates prayed for be authorized, but only on the condition that all ordinary resacking (including sacks) be done at applicant's expense.

Rates hereinafter authorized will not affect storage at any points other than applicant's warehouses located at Merced, Tuttle, Planada, Le Grand, Dickinson, and Marguerite, respectively, in Merced County, nor in any manner change the rates or service applying to commodities other than grain at the warehouses named, all other rates, rules or regulations remaining as now lawfully on file with the Commission.

## O R D E R

CALIFORNIA WHARF & WAREHOUSE COMPANY, a corporation, having applied to the Railroad Commission for an order authorizing an increase in rates applying at its warehouses located at Merced, Tuttle, Planada, Le Grand, Dickinson and Marguerite;

And a public hearing having been held upon said application and said matter having been submitted and being now ready for decision,

The Railroad Commission of California hereby finds as a fact that the rates of applicant now in effect are unjust and unreasonable in so far as they differ from the rates which applicant is herein authorized to charge, which rates are hereby found to be just and reasonable.

Basing its conclusions upon the foregoing finding of fact and upon the other findings contained in the Opinion preceding this order,

IT IS HEREBY ORDERED that the applicant, California Wharf & Warehouse Company, a corporation, be, and the same hereby is, authorized to charge and collect the following rates for the storage and incidental handling of grain at each of its warehouses located in Merced County, viz:

Receiving, weighing and loading grain	
through warehouse on cars .....	\$.35 per ton.
Storage for one month .....	.50 per ton.
Storage for two months .....	.75 per ton.
Storage for three months and balance of	
season ending May 31st .....	1.00 per ton.

IT IS FURTHER ORDERED that the service in connection with storage rates above authorized shall consist of receiving, weighing, storing for the period indicated, ordinary resacking (including sacks), and loading out of grain and such other service as is usually given by warehousemen similarly situated, it being understood that the term "season" shall extend from June 1st of a given year to and including May 31st of the year following.

IT IS FURTHER ORDERED that the rates herein authorized shall become effective June 1, 1916.

Dated at San Francisco, California, this 29th day of April, 1916.

Max Thelen

H. B. Loveland

Frank R. Decker

Commissioners.