

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 Kings Lake Shore Railroad Company)
 for Authority to Increase Freight)
 Rates.)

Application No. 3944.

Chas. King, for applicant.

B. M. Aiken, for Pingree Sugar Company,)
 Thos. E. Haven, El Reco Land & Harvester Co. and) Protestants.
 Carroll M. Gates.)

LOVELAND, COMMISSIONER:

O P I N I O N

This is an application by the Kings Lake Shore Railroad Company, hereinafter referred to as the railroad, for authority under Section 63 of the Public Utilities Act to increase its freight rates between Corcoran and El Reco-Harvester, as follows:

Commodity	:	Between	And	Rates in Cents	
				: Per Ton of 2000 Lbs.	: Present ; Proposed
Grain	:	El Reco ----	Corcoran	: .90	: 1.00
Carload	:	Harvester -	"	: .90	: 1.10
Hay	:	El Reco -	"	: .90	: 1.00
Carload	:	Harvester -	"	: .90	: 1.10
Sugar Beets	:	El Reco -	"	: .60	: .70
Carload	:	Harvester -	"	: .60	: .90
Alfalfa Meal	:	El Reco -	"	: .90	: 1.00
Carload	:	Harvester -	"	: .90	: 1.10

The railroad extends from Corcoran, a junction point

with the Atchison, Topeka & Santa Fe and has but four stations - Clark $3\frac{1}{2}$ miles, El Reco 10 miles, Harvester 15 miles and Lib 18 miles from Corcoran. It is in a period of construction and while performing a freight service does so under many disadvantages. Part of the track is far from complete, thus making maintenance and operating costs excessive as compared with the cost of a completed railroad.

The first tariff filed by this railroad became effective July 1, 1917 and covered rate of 75 cents per ton on grain, in carload lots, from El Reco to Corcoran. Tariff No. 2, effective July 25, 1917, provided a rate of 75 cents per ton on hay and grain from either El Reco or Harvester, also rate of 50 cents per ton on sugar beets from Harvester to Corcoran. Tariff No. 3, effective September 1, 1917, reproduced the same rates carried in Tariff No. 2 and added an item to cover alfalfa meal at rate of 75 cents per ton Harvester to Corcoran. Tariff No. 4, effective June 25, 1918, was not regularly filed with this Commission, but was filed with the Interstate Commerce Commission in compliance with General Order No. 28 of the Director General of U.S. Railroad Administration. This tariff provided rate of 90 cents per ton on all commodities moving between Harvester and Corcoran except sugar beets, which were given a rate of 60 cents per ton.

The railroad handles no passengers and has no established freight service. During a short period, when crops are moving, a train leaves Corcoran about 1 P.M., returning to initial point about 6 P.M. During the balance of the year freight service is rendered only as required, about once or twice a week. The tonnage consists almost entirely of grain, sugar beets and hay. The railroad has no motive power of its own, but secures cars from the Atchison.

Topeka & Santa Fe at the regular per diem charge and rents a locomotive for \$250.00 per month, which is a very expensive method of operation.

Operating expenses and revenues July 1, 1917 to June 1, 1918, eleven months, as per statement attached to application, were:

		<u>Operating Expenses</u>	<u>Operating Revenue</u>
July	1917	\$ 548.30	\$ 1509.84
August	"	1462.91	3737.16
September	"	908.28	1808.34
October	"	690.60	1142.68
November	"	755.20	1264.58
December	"	883.85	1429.06
January	1918	1591.41	1087.05
February	"	1655.29	517.58
March	"	1443.93	510.65
April	"	1232.83	669.84
May	"	1452.63	249.73
		<u>\$12625.23</u>	<u>\$13926.51</u>

From July to December 1917 active construction work was in progress and the amount charged as operating expenses against commercial freight was arbitrary. Since January 1, 1918 but little construction work has been done and the operating expenses since that date are supposed to represent actual costs. It is to be noted there is a very substantial loss each month during this five months period.

Applicant's Exhibit No. 1 estimates the following earnings for the year 1918:

From Lib 5000 tons grain @ \$1.20	\$ 6000.00
" Harvester 5000 tons grain @ 1.10	5500.00
" Harvester 7000 tons beets @ .90	6300.00
" El Reco 5000 tons hay and grain @ 1.00	5000.00
North of Tule 1000 tons hay and grain @ .50	500.00
Estimated ingoing freight	1000.00
Total - - -	<u>\$24,300.00</u>

Against these receipts - \$24,300.00, there is a claimed

operating expense of \$24,548.52, segregated as shown below:

Train Crew	\$4200.00
Fuel Oil	3300.00
Upkeep of Equipment	1000.00
Construction betterment	5000.00
Rental of Locomotive	3000.00
Upkeep of Track	3000.00
Joint Agent	1200.00
Bookkeeping and Supervision	1500.00
Corporation Tax	571.82
Industrial Insurance	775.70
Estimated Car Rental	1000.00
Total -	\$24548.52

Applicant testified that the actual cost of the railroad to June 1, 1918 was \$245,637.59 and after allowing a yearly interest of \$14,400, about 6 per cent of this cost price, there will be a deficit of approximately \$14,000 at the end of the year. Items of expense, such as train crew \$4,200.00, construction and betterment \$5,000.00, rental of locomotive \$3,000.00, upkeep of track \$3,000.00, joint agent, bookkeeping and supervision \$2,700.00 were questioned by attorneys representing protestants, but no evidence was introduced to prove these charges excessive. The total of questioned items - \$17,900.00, appears unusually heavy, but if this amount were reduced one-third, or by \$5,966.66, the railroad would only earn, above operating expenses, \$5,718.14, based on tonnage applicant estimates during 1918. This represents less than two and one-third per cent on the claimed investment.

A witness for protestant figured a much larger tonnage for 1918 than was moved in 1917, basing his results on the output from his own property and that from adjacent farms. Testimony and statements were presented comparing the cost of farming one acre of grain with that of farming one acre of sugar beets, the tonnage

each crop produced per acre and the total cost of landing the commodity aboard cars for shipment. In addition, an exhibit was introduced showing freight rates assessed by trunk line carriers for the transportation of sugar beets and grain. This information, while interesting, can have no controlling influence on rates necessary to meet the financial difficulties under which this railroad is laboring. While it is a fact the existing rates of this applicant are materially higher than rates on the same commodities for equi-distant hauls on other lines in the State of California, it will be found that the circumstances and conditions under which this applicant handles its traffic are entirely dissimilar.

The principal stockholder of this applicant testified he was unable to proceed with construction work, having exhausted his private fortune and is now unable to borrow funds for any new work, or for operating purposes. The record shows conclusively that the present rates are not sufficient, with the limited tonnage offering, to provide operating expenses and the interest requirements. Application involves rates between Corcoran and El Roco-Harvester and only these can be considered in this opinion and order.

Sugar beets are a low-grade commodity and I believe the rate of 90 cents per ton from Harvester to Corcoran would be unreasonable as compared with the rate on grain, a much more valuable commodity.

I recommend that applicant be authorized to establish the following rates:

Commodity	: Between	And	: Rates in Cents : Per Ton of 2000 Lbs.
Grain	: El Reco	- Corcoran	: \$ 1.00
Carload	: Harvester	- "	: 1.15
Hay	: El Reco	- "	: 1.00
Carload	: Harvester	- "	: 1.10
Sugar Beets	: El Reco	- "	: .70
Carloads	: Harvester	- "	: .80
Alfalfa Meal	: El Reco	- "	: 1.00
Carload	: Harvester	- "	: 1.10

I submit the following Order:

O R D E R

Public hearing having been held in above entitled proceeding testimony having been presented, the case having been submitted for decision, and the Railroad Commission having reached the conclusion that rates now being charged are unjust and unreasonable,

IT IS HEREBY ORDERED that the Kings Lake Shore Railroad Company be authorized to establish within twenty (20) days from the date of this order the following rates, which are found to be just and reasonable:

Commodity	: Between	And	: Rates in Cents : Per Ton of 2000 Lbs.
Grain	: El Reco	- Corcoran	: \$ 1.00
Carload	: Harvester	- "	: 1.15
Hay	: El Reco	- "	: 1.00
Carload	: Harvester	- "	: 1.10
Sugar Beets	: El Reco	- "	: .70
Carload	: Harvester	- "	: .80
Alfalfa Meal	: El Reco	- "	: 1.00
Carload	: Harvester	- "	: 1.10

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 26th day of

July, 1918.

Edwin C. Edgerton
W. H. Boardman
W. H. Gordon

Commissioners.