

Decision No. 38226

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 ISLAND ELEVATORS, a corporation, for) Application No., 26868.
 an increase in warehouse rates.)

BY THE COMMISSION:

ORIGINALAppearances

Reginald L. Vaughan, for applicant.
 J. J. Deuel and Edson Abel, for California Farm Bureau Federation.

O P I N I O N

Applicant conducts public utility warehouse operations on Ryer Island, Solano County. It seeks authority to increase certain rates, to cancel others, and to revise designated rules and regulations.

A public hearing was held at San Francisco on August 22, 1945, before Examiner Mulgrew.

Studies of the financial results of applicant's operations for the fiscal years ended May 31, 1943 and 1944 purportedly show that net losses of \$5,125 and \$4,560, respectively, were sustained in rendering public utility service. These studies show, however, profits of \$9,935 in 1943 and \$11,540 in 1944 from applicant's so-called "grain account." These profits, it was revealed, were derived from the sale of milo maize which was received in the warehouse but not delivered to the storers.

Applicant's witnesses explained that, because milo is highly susceptible to spoilage if its moisture content exceeds 15;

1. Witnesses for the applicant testified that the tonnage handled and stored in 1943 was less than and in 1944 more than a normal year.

per cent, it is tested prior to storage and, when necessary, dried so as to reduce the amount of moisture to a safe level. Applicant performs this service for the storer's account and in the operation reduces the moisture to approximately 13 per cent. Warehouse receipts are issued for the actual weight of the dried milo and storage charges are assessed on such weight. The normal moisture content of milo was said to be around 15 per cent. The dried grain regains moisture during storage and its moisture content is approximately 15 per cent when it is removed from the warehouse. Weight increases result from the absorption of moisture. Delivery from storage is, however, made on the basis of the weight of the dried milo as shown on the warehouse receipt issued when the grain is accepted for storage. The resulting "overage of grain" amounted to approximately 200 tons in 1943 and 220 tons in 1944. This grain was sold by applicant and the proceeds credited to the "grain account" and to non-utility operations. Applicant contends that this income was the direct result of the nonutility drying operation and properly credited thereto. It also contends that the "overage" does not belong to the farmer or buyer.

We do not agree with these contentions. The increase in weight occurs while the grain is in storage and must be considered a public utility matter. On the basis of applicant's figures, but with the public utility operations credited with the revenues assigned to the "grain account," net profits, after provision for income taxes, amount to \$3,607 for 1943 and \$5,235 for 1944. With these adjustments, the indicated rates of return are 8.6 and 10.9 per cent, respectively. The proposed rate increases have not been justified.

It appears, moreover, that the practice of withholding from owners of stored grain that portion representing the weight increase

is unjust and unreasonable. Applicant is placed on notice that it will be expected forthwith to take whatever steps are necessary to assure that weight increases resulting from the absorption of moisture will accrue to the owners of the grain. After this has been done, further consideration will be given the rate increase proposals upon applicant's request therefor.

There remains for discussion the matters of the proposed rate cancellations and the sought changes in rules and regulations. With regard to the proposed rate cancellations, applicant's rate and tariff expert testified that none of the rates to be canceled had been used for a period of more than a year and that there was no prospect of their future use. Cancellation of these rates appears warranted and will be authorized. The principal change in rules and regulations is that relating to the storage season of grain, other than milo or corn, by making the terminating date September 30 instead of May 31. The rate witness explained that this change was proposed to encourage the removal of barley, which moves into the warehouse in the early summer, in time to free space for the storage of milo which begins to come into the warehouse during the first part of October. It is the uniform practice of California grain warehousemen to accord barley season storage rates for a storage period ending May 31. This permits storage for approximately one year. Adoption of applicant's proposal would result in first-season storage generally being limited to not more than four months. It would also result in a substantial increase to the barley storers requiring more than four months' storage. The justification advanced in support of the sought change is insufficient to warrant its authorization. Other changes in rules and regulations appear designed to clarify existing provisions. To the extent that increases are not involved, these changes require no authorization. Increases resulting from proposals regarding rules and regulations, like the rate increases themselves, have not been justified under the circumstances disclosed by this record.

Upon consideration of all the facts of record we are of the opinion and find that the establishment of the proposed increased rates; the sought change in the storage season for grain other than milo or corn, and the revision of rules and regulations resulting in increased charges have not been justified. We are of the further opinion and accordingly find that cancellation of the unused rates has been justified.

O R D E R

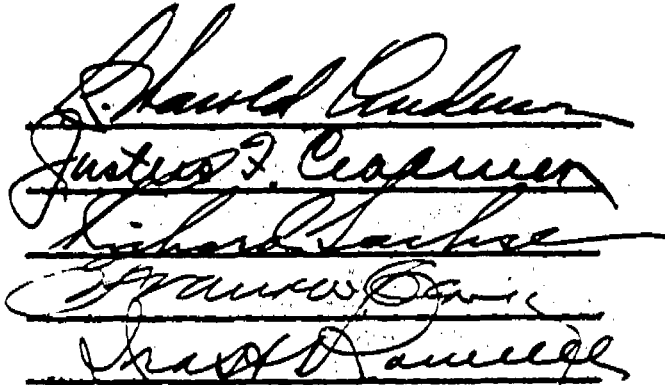
A public hearing having been had in the above entitled application and based upon the evidence received at the hearing and upon the conclusions and findings set forth in the preceding opinion,

IT IS HEREBY ORDERED that Island Elevators be and it is hereby authorized to cancel rates for services no longer used, which rates and services are specifically set forth in the above entitled application.

IT IS HEREBY FURTHER ORDERED that in all other respects the above entitled application be and it is hereby denied.

The effective date of this order shall be twenty (20) days from the date hereof.

Dated at San Francisco, California, this 18th day of September, 1945.



 Commissioners