

Decision No. 38243

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
PRODUCERS COTTON OIL COMPANY, Fresno,)
California, for Authority under Section)
63 of the Public Utilities Act to)
Increase its Present Existing Warehouse)
Rates.)

Application No. 26450

ORIGINAL

BY THE COMMISSION:

Appearances

F. W. Docker, for applicant.
John Gallagher and John R. Bliss, for
Chester Bowles, Administrator,
Office of Price Administration,
interested party.
L. H. Stewart, for San Joaquin Compress &
Warehouse Company, interested party.

O P I N I O N

By this application Producers Cotton Oil Company, a corpora-
tion engaged among other things in the business of conducting a
cotton storage warehouse and compress at Fresno, seeks authority
under Section 63 of the Public Utilities Act to increase certain of
its rates and charges.

Public hearings were held before Examiner Bryant at Fresno
and Los Angeles, and the matter is ready for decision.

The record shows that Producers Cotton Oil Company is engaged
in a number of businesses, including financing growers, ginning
cotton, milling cottonseed oil, merchandising cotton, merchandising
oil mill products, operation of a cotton compress, and operation of
a cotton warehouse. Only the warehouse business is deemed by appli-
cant to be that of a public utility subject to the jurisdiction of

The application was submitted at Fresno on February 2, 1945.
Thereafter it was reopened to permit the taking of further evidence,
and was further heard and submitted at Los Angeles on June 19, 1945.

this Commission. The services involved in this application are the storage, handling, sampling, weighing and delivering of cotton, in bales.

The principal rate increases proposed are as indicated in the margin.² The proposed rates were said to be based upon those maintained by cotton warehouses in other states, and are similar to those sought by other California warehousemen in related proceedings.³ No one appeared in opposition to the granting of this application. A representative of the Office of Price Administration stated that that agency has jurisdiction over the maximum rates of warehouses in all states other than California; that the rates proposed by applicant are in no case higher than those approved for the same service by cotton warehouses located in other states; and that the agency was not opposed to the granting of this application.

²

Rates sought in the original application were modified at the public hearing to the bases shown in the "proposed" column in this footnote. The present rates and services are set forth in more detail in applicant's current tariff, and the proposed rates are shown in detail in amended Exhibit No. 5.

	Charges per Bale	
	<u>Present</u>	<u>Proposed</u>
Storage, unexpired part of the month in which cotton received.	Free	No Free Time
Storage		
For the first month or fraction thereof.		\$.20
Extra storage per month or part thereof.		.20
High density compressed cotton, per month or fraction thereof.	\$.15	.18
Handling, including unloading, handling in, weighing, sampling and other services.	.25	.41
Sampling, in storage.	.10	.23
Sampling, on delivery or when other service is performed.	.10	.12
Sampling and Weighing, in storage, at same time		.35
Weighing on delivery or when other service is performed.	.10	.12
Delivering cotton removed without being compressed by the company.	.50	.58

³

Application No. 26390 of San Joaquin Compress & Warehouse Company; and Application No. 26582 of Western Compress Company.

The warehouse operation, which is the one herein involved, accounts for a relatively small share of the company's operating revenue. For the fiscal year ending June 30, 1944, it appears that the gross revenue from all operations was \$2,152,859, of which \$213,010 accrued from operation of the compress and warehouse, and only \$57,892 accrued from operation of the warehouse alone. At the initial hearing the secretary-treasurer of the company testified that although the records of the combined compress and warehouse operations were distinguished from those of the other businesses, the expenses of the compress were not segregated from those of the warehouse. At the further hearing, when additional evidence was offered, he introduced an exhibit in which the revenues and expenses subsequent to January 7, 1944, were segregated between compress and warehouse.⁴ The figures for the fiscal year are of limited value for purposes of this proceeding, inasmuch as the allocations are not available for the period from July 1 to January 7. However, figures are of record, completely segregated, for the 10 months ending April 30, 1945, and these presumably disclose the financial results of the warehouse operation for the period. The following table was developed from applicant's Exhibit 7:

10 Months Ended April 30, 1945
Warehouse Operation

	<u>Under Present Rates:</u>	<u>Under Proposed Rates:</u>
Revenue:		
Delivering:	\$ 218.50	\$ 253.50
Handling:	17,233.75	28,250.00
Reconditioning:	2,291.21	2,291.21
Sampling and Weighing:	1,498.10	2,099.50
Storage:	26,818.46	28,153.46
Patches:	196.40	196.40
Total Revenue:	\$ 48,256.42	\$ 61,244.07
Total Expenses:	47,241.95	47,241.95
Net Revenue:	\$ 1,014.47	\$ 14,002.12
Income Taxes (Federal and State):	\$ 440.28	\$ 6,076.92
Net after Income Tax:	\$ 574.19	\$ 7,925.20

⁴: Prior to January 7, 1944, compression charges were named in the company's warehouse tariff.

It will be seen from the table that, according to applicant's exhibit, the warehouse operation produced for the 10 months' period a net revenue, before income taxes of \$1,014; and would have produced a net revenue of \$14,002 had the proposed rates been in effect. Whether these revenues are greater or less than those earned in the past was not shown, inasmuch as segregated figures for earlier periods are not available.⁵ Applicant did not undertake to develop a rate base, and no segregated balance sheets were submitted. In view of these several deficiencies, no satisfactory basis appears for measuring the asserted inadequacy of the present revenues or the reasonableness of the revenues that would accrue under the rates proposed.

Aside from the absence of an adequate showing of revenue needs, another reason appears why increased rates may not properly be granted on this record. Applicant's witness testified that between 95 per cent and 100 per cent of the cotton in storage at the time of the latest hearing was stored under contract with an agency of the federal government. The charges applicable to this cotton, as set forth in the contract, were in some cases lower than those named in the tariff filed with this Commission. Warehousemen are authorized to accord free or reduced rates to governmental agencies under our General Order No. 97, but if they voluntarily allow reduced rates on a substantial portion of their business they should not, in the absence of a full showing of the justification therefor, expect the general public to make an offsetting contribution.

⁵ According to Exhibit 7, the warehouse operation lost \$8,758 in the year ending June 30, 1944; but, as hereinbefore indicated, this is based upon figures which combine warehouse and compress operations for the first half of the period. In this connection it may be observed that if the indicated loss were accepted as accurate, then a substantial improvement in applicant's revenue position took place in the latest available 10 months.

Where rate increases are involved, it is incumbent upon the applicant to present complete factual data to justify affirmatively the adjustments proposed. Upon the present record the Commission is unable to make a finding that the increases proposed are justified. The application will be denied.

O R D E R

The above entitled application having been heard and submitted, full consideration of the matters and things involved having been had, and the Commission now being fully advised,

IT IS HEREBY ORDERED that the above entitled application be and it is hereby denied.

This order shall become effective twenty (20) days from the date hereof.

Dated at San Francisco, California, this 25th day of September, 1945.

Richard Culver
Justus F. Graves
Richard Lachse
Francis Egan
Wm. H. Powell
 Commissioners.