

ORIGINALDecision No. 38471

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:

OPINION ON FURTHER HEARING

Decision No. 38226 of September 18, 1945, in this proceeding denied applicant authority to increase certain rates and charges. It also denied permission to change the terminating date for season storage of grain, other than milo maize or corn. The decision pointed out that operating losses indicated as having been incurred in applicant's public utility warehouse service had been more than offset by revenues derived from the sale of milo received in the warehouse but not delivered to the storers. This so-called "overage", representing weight increases resulting from the absorption of moisture, it was held, should accrue to the owners of the grain. Applicant was placed on notice that it would be expected to take the necessary steps to see that this was accomplished. The proposed change in the season storage basis for other grain was denied for want of sufficient justification.

Upon applicant's request a further hearing was scheduled for the receipt of additional evidence. It was had at San Francisco on October 29, 1945, before Examiner Mulgrew.

The "overage" problem occurs only in connection with the storage of commingled grain. At the further hearing applicant submitted a proposed method under which separate accounting of all varieties of grain by grade would be maintained and the "overages"

found to exist adjusted after surrender of all of the warehouse receipts involved in each accounting. Under this proposal, applicant would sell the undelivered grain and distribute the net proceeds to the grower-depositors on the basis of the relationship of tonnage delivered to the warehouse and the total weight of the grain on which the accounting is being made. Applicant's secretary testified that an exhaustive study of the matter had disclosed no other means by which it would be feasible to account for and distribute the "overages".

Studies submitted by applicant's consulting engineer show that, had applicant operated under the aforementioned "overage" adjustment plan during the fiscal year ended May 31, 1944, its public utility operations would have resulted in a net loss of \$4,560. The principal increases proposed in this proceeding are those for handling and sacking services and amount to 50 and 40 cents per ton, respectively. Applied to the period studied, these increases would have produced net operating revenues of \$5,519. The engineer explained, however, that applicant's 1944 storage volume was "very considerably above normal". He expressed the opinion that in an average year applicant's rates as here proposed to be increased would return net revenues of approximately \$3,000. This, he said, would amount to a rate of return of less than 7 per cent on applicant's \$45,000 rate base.

In addition to proposing higher rates for the services of handling and sacking grain, applicant seeks authority to increase charges for other accessorial services. These are services performed only upon request of the storer and on which labor expense is the principal cost factor. The record shows that labor costs have increased approximately 100 per cent since the present rates were

established. The rate increases proposed, applicant's studies demonstrate, are not greater than those necessary to reflect current wage rates. These accessorial services were shown to be rarely required by the storers and the revenues therefrom relatively inconsequential.

The record shows that applicant cannot continue operations under the present rates without sustaining substantial losses upon adjusting its practices with respect to "overages". Under the plan it has submitted for distributing the proceeds from the "overages," it appears evident that increases of the volume proposed will be necessary if applicant's rates are to be reasonably compensatory,

At the further hearing applicant urged that it be permitted to restrict its storage of grain other than milo and corn to that provided on a monthly rate basis. It proposed that the rate for season storage be canceled, that the present monthly rates be maintained for storage prior to October 1, and that the rate for storage subsequent to October 1 be made 50 cents per ton per month.¹ In support of these changes, applicant's secretary explained that the district which it serves is predominantly a milo growing area; that there is some production of barley; that generally the farmers who grow barley also grow milo and desire to warehouse both crops; that barley commences to move into storage June 1; that, unless the barley is removed prior to the commencement of the milo storage on October 1, there will be insufficient warehouse space for the milo crop; and that storage for the milo is the chief public storage need in the territory served. The witness pointed out after farmers

¹ For the first 30 days' storage, the present rate is 50 cents per ton. Each subsequent month's storage is charged for at the rate of 25 cents per ton until the rate equals the season storage rate of \$1.25 per ton.

transfer their warehouse receipts they no longer control the disposition of the stored barley. For some time, he said, the early removal of the barley had generally been facilitated by a favorable barley market and most of the barley had been removed in time to accommodate the milo. He predicted, however, that after such a market no longer prevails holders of barley warehouse receipts who are not concerned with the milo storage problem will then hold the barley in storage where there is a prospect of increased prices, regardless of the necessities of the milo storers. The 50 cents per ton per month charge proposed to be assessed commencing October 1 of each year, he said, would assure the removal of the barley because of the improbability of corresponding increases in barley prices. Approval of this proposal appears warranted for the reasons advanced.

Applicant also desires to make certain other tariff revisions, some involving rewording of tariff rules made necessary by changed operating conditions and others involving tariff clarification and uniformity. For the most part, these appear to be changes which would neither increase nor reduce applicant's charges. Desirable tariff clarification would evidently be brought about by the proposed revisions and authority necessary to make them should, therefore, be granted.

No one opposed any of applicant's proposals as they were submitted on further hearing.

Upon consideration of all the facts of record we are of the opinion and find that the proposed increases and the sought changes in rules and regulations have been justified. The application, as amended, will accordingly be granted.

O R D E R

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

IT IS HEREBY ORDERED that the above entitled application, as amended, be and it is hereby granted; and that the rates, rules and regulations herein authorized may be published and filed on not less than five (5) days' notice to the Commission and to the public.

The authority herein granted shall be void unless exercised within sixty (60) days from the effective date of this order.

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

Dated at San Francisco, California, this 27th day of November, 1945.

A. Harold Rudman
Justice J. Cooney
Francis G. ...
... ..
Harold F. Neale
 Commissioners