

ORIGINAL

Decision No. 56618

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)	
the INTERNATIONAL FERTILIZER & FEED)	
COMPANY, a corporation, for an order)	Application No. 39269
authorizing increase in storage rate.)	

Harry Amenta, for applicant.

Leonard Diamond and O. B. Liersch, for
the Commission staff.

O P I N I O N

International Fertilizer & Feed Company, a corporation, is engaged, among other things, in the business of a public utility warehouseman in and about Bakersfield. By application filed July 24, 1957, it seeks authority to increase the first month's storage rate on grain, cottonseed, cottonseed products and fertilizers from \$1.65 per ton to \$1.75 per ton. The first month's storage rate includes the service of handling in and out of the warehouse. The regular storage rate is \$0.25 per ton; therefore, essentially this application requests authority to increase the handling charge from \$1.40 per ton to \$1.50.

Public hearing was held before Examiner Jack E. Thompson at Bakersfield on January 29, 1958, when the matter was taken under submission.

According to the testimony of applicant's president, the nature of its operations has changed recently. Other warehouses and cooperatives have captured the grain storage; it no longer has any government storage and at the present time ninety per cent of the warehouse operation of applicant is the storage of fertilizer for

one account. He testified that the increase of ten cents in the handling charge is being sought not so much for the additional revenue that might accrue but for the purpose of having all of the charges per ton in multiples of twenty-five cents. He stated that this will simplify the rate structure and will be convenient to the applicant and to its principal storage account. He stated, however, that the additional revenue would be offset substantially by increases in handling costs which applicant has been experiencing.

Until a year ago, applicant received fertilizer in bags weighing 100 pounds each. At present the commodity is received in 80-pound bags so that applicant's employees must handle 25 bags to the ton instead of 20. The wages of warehouse employees have been increased ten cents per hour and the property taxes paid by applicant have increased.

The president testified that the optimum performance of applicant's employees in loading or unloading trucks and rail cars is about 5 tons per man per hour. The average performance is somewhat less than that. The increase of ten cents per hour in wages alone has resulted in an increased cost of handling shipments in and out of the warehouse of between four and five cents per ton.

Applicant presented financial statements for the fiscal year ended August 31, 1956, for the fiscal year ended August 31, 1957 and for two four-month periods in 1956 and 1957.

An engineer of the Commission's staff made a study of applicant's operations and introduced an analysis of the revenues and expenses of the warehouse operation for the 1956 fiscal year. The engineer stated that the warehouse operations are integrated with the other enterprises of applicant to such an extent that ascertaining the amount of expense that is directly attributable to

the warehouse operation in many instances is not possible except through allocations. In his analysis, the engineer allocated items of expense utilizing the best means available to determine the apportionment. The engineer's analysis was for the operations of the fiscal year ended August 31, 1956, and showed a gross revenue of \$145,994 and a net income of \$24,775. He stated that he had made his study in August and September of 1957 but that the books for the 1957 fiscal year had not been closed at that time. He also testified that from his observations while making the study, he was of the opinion that the basis of his allocations of expense could be applied to the financial statement for the year ended August 31, 1957, to determine the operating results of the warehouse for the 1957 fiscal year.

Applicant had a loss at the end of the 1957 fiscal year in its over-all operations. On the basis of the allocations of expense made by the engineer, it appears that the warehouse operations conducted during that period were profitable. In some areas the allocations of expense appear to be very conservative, however, when applied to both the 1956 and 1957 fiscal years, they provide a uniform basis for comparing the warehouse operating results for two consecutive fiscal periods. It was estimated that the proposed rate increase would provide \$3,781 additional warehouse revenue. If this amount were applied to the 1957 revenues, the operating results for that period would still be below the 1956 operating results.

Applicant's president testified that the principal storage account had been notified of the increased rates being sought. No one appeared in opposition to the granting of the authority sought.

The proposed rate increase is in the nature of an adjustment to provide for a more uniform and simplified rate structure.

The amount of revenue which would result from this adjustment is not excessive. Upon consideration of all of the facts and circumstances

of record, the Commission is of the opinion and finds that the proposed rates are reasonable and that the increases resulting therefrom are justified.

O R D E R

Based on the evidence of record and on the findings and conclusions set forth in the preceding opinion,

IT IS ORDERED:

1. That International Fertilizer & Feed Company, a corporation, is authorized to establish the increased rates set forth in its application filed in this proceeding.

2. That the authority granted herein shall expire unless exercised within sixty days after the effective date of this order.

The effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California, this 29th day of April, 1958.

John E. Mitchell
President

William J. Dore

E. Lynn Fox

Theodore J. Jenner
Commissioners

Commissioner...Ray E. Untereiner..., being necessarily absent, did not participate in the disposition of this proceeding.