

Decision No. 61970

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of ADAMS, SCHWAB & ADAMS WAREHOUSE CO., BEN AKER, ARBUCKLE WAREHOUSE, ASSOCIATED DEHYDRATING CORPORATION, BAKER BROS. RICE DRIER & STORAGE CO., BAYLES RICE DRIER COMPANY, HOWARD BEEMAN WAREHOUSE & DRIER, BLAVO WAREHOUSE, BULTEMA BROS., BUTTE CITY WAREHOUSE CO., BUTTONWILLOW WAREHOUSE CO., CALIFORNIA DEHYDRATING CO., CALIFORNIA MILLING CORPORATION, CALIFORNIA SEED & FERTILIZER CO., CAMARILLO WAREHOUSE CO., CARGILL OF CALIFORNIA, INC., C. B. C. WAREHOUSE COMPANY, CHICO BEAN GROWERS, CITRONA WAREHOUSE, COAST COUNTIES WAREHOUSES, COLLEGE CITY WAREHOUSE, COLLINS & STORY, COLUSA-GLENN DRIER COMPANY, CONTINENTAL GRAIN COMPANY, COUNTY LINE WAREHOUSE, N. F. DAVIS DRIER & ELEVATOR, DELTA WAREHOUSE COMPANY, DEN DULK WAREHOUSE & FEED COMPANY, INC., DE PUE WAREHOUSE CO., DOMPE WAREHOUSE CO., DOTY BRICK WAREHOUSE, ECKHART SEED COMPANY, EIBE & HUFFMAN WAREHOUSE CO., INC., EL REY MILLING CO., ERNST BROS., ESCALON WAREHOUSE CO., FARMERS ALLIANCE BUSINESS ASSN., FARMERS GRAIN ELEVATOR, FARMERS PUBLIC WAREHOUSE AND HI AND DRY WAREHOUSE, INC., FARMERS' RICE DRIER & STORAGE CO., a division of Farmers' Rice Growers Cooperative, FARMERS WAREHOUSE, FARMERS WAREHOUSE CO., FIREBAUGH ELEVATOR AND STORAGE CO., C. H. FOWLER WAREHOUSE & ELEVATOR, GLENN GROWERS, GRAINO ELEVATOR COMPANY, M. D. GREEN RICE MILLING CO., GRIDLEY WAREHOUSES, JOHN F. GRISEZ, GUADALUPE WAREHOUSE, INC., HARRISON WAREHOUSE, HASLETT WAREHOUSE COMPANY, HAYRICO, INC., L. A. HEARNE WAREHOUSE COMPANY, VICTOR HOAG WAREHOUSE, HOWARD WAREHOUSE, ISLAND ELEVATORS, JALONEN WAREHOUSE CO., WALTER JANSEN & SON, JOOST GRAIN ELEVATORS, JOSEPHINE WAREHOUSE, LACEY MILLING COMPANY, LAWRENCE WAREHOUSE COMPANY, LIBERTY WAREHOUSE, LOMPOC WAREHOUSE CORPORATION, RALPH E. LOWE, ED J. LYNCH COMPANY, INC., THE LYONS WAREHOUSE, L. D. MAFFEI SEED CO., M & H WAREHOUSE & RICE DRIER, MAST IRON WAREHOUSE, MAXWELL DELEVAN WAREHOUSE CORPORATION, MAXWELL GRAIN STORAGE WHSES., MITCHELL SILLIMAN COMPANY, JIM B. NIELSEN, NORTHERN CALIFORNIA COMPANY, NORTHERN STAR MILLS, OAKLAND BEAN CLEANING & STORAGE CO., OCEANSIDE WAREHOUSE COMPANY, E. M. OLSON WAREHOUSE, PACIFIC INTERNATIONAL RICE MILLS, INC., PEOPLES WAREHOUSE COMPANY,

Application No.
42521

PRINCETON RICE DRIER, RABB BROS. ELEVATOR
& MILL, RHODES WAREHOUSE & SUPPLY CO., RICETON
WAREHOUSE, RIO BONITO WAREHOUSE CORPORATION,
RIVERSIDE ELEVATORS, THE RIZ WAREHOUSE CO.,
RUBKE WAREHOUSE, SACRAMENTO RIVER WAREHOUSE
COMPANY, SACRAMENTO VALLEY MILLING CO., SALYER
GRAIN & MILLING COMPANY, C. F. SALZ CO., SAN
MIGUEL FLOURING MILL COMPANY, SANTA MARIA VALLEY
WAREHOUSE CO., T. B. SILLS STORAGE, SOLEDAD
WAREHOUSE CO., STANISLAUS FARM SUPPLY, INC.,
STOCKTON ELEVATORS, STOCKTON WIRE PRODUCTS,
SUN VALLEY SUPPLY COMPANY, SUTTER BASIN GROWERS
COOPERATIVE, TERHEL FARMS DRIER & STORAGE CO.,
TORNELL FARM SERVICE, INC., TREMONT WAREHOUSE CO.,
TRES PINOS GRAIN & SUPPLY, TUDOR WAREHOUSE,
TURLOCK DEHYDRATING AND PACKING CO., TYNDALL
WAREHOUSE COMPANY, INC., UNION STORAGE CO.,
VALLEY BEAN WAREHOUSE, INC., VALLEY FEED & WARE-
HOUSE CO., VALLEY GRAIN DRIER, VALLEY WAREHOUSE
COMPANY, WESTLEY WAREHOUSE, WEST COAST CHECKER-
BOARD ELEVATOR COMPANY, WEST LOS ANGELES MILL-
ING COMPANY, WEST STANISLAUS GROWERS' ASSOCIA-
TION, WESTSIDE WAREHOUSE COMPANY, INC., WIEGAND
WAREHOUSE, WILLOWS RICE DRIER & STORAGE COMPANY,
WOODLAND WAREHOUSES, and I. G. ZUMWALT COMPANY,
for an increase in rates.

Vaughn, Paul & Lyons, by John G. Lyons,
for applicants.

Jack L. Dawson, for applicants.

Ernest E. Hatch, for Bean Growers Associa-
tion of California, protestant.

Ralph Hubbard, and William Knecht, for
California Farm Bureau Federation;

Wm. E. Glotz, by Ted J. Gromala;
interested parties.

Hugh N. Orr, A. R. Day, J. W. Mallory
and C. B. Shawler, for the Commission's
staff.

INTERIM OPINION

Applicants comprise some 118 public utility warehousemen, engaged in the operation of so-called "agricultural" warehouses. These facilities are located in three large areas of the State, namely, the Sacramento Valley, the San Joaquin Valley, and the Central Coast Counties.^{1/} By this application, as amended, authority is sought to increase rates and to cancel certain rates which, it is alleged, are no longer used.

Hearings on the application were held before Examiner Carter R. Bishop at San Francisco on October 18 and 19, and December 6, 7 and 8, 1960, and on January 24, 25 and 26, 1961. On the last-mentioned date applicants were prepared to submit the matter. However, counsel for the Commission's staff had stated, earlier in the hearings, that the staff was undertaking a study by which to develop unit costs for the storage and handling of the principal commodities in issue, for each of the above-mentioned geographical areas; that such a study would necessarily take several months to complete; that it could not be completed prior to the next storage season, when performance factors for handling goods into the warehouses can be obtained; that the results of said study, together with such alternate rate proposals as might appear to be justified in the light thereof, would be presented at an adjourned hearing. Counsel

^{1/} The Central Coast Counties, hereinafter sometimes designated as the "Coast Counties", include the Counties of Monterey, San Benito, San Luis Obispo, Santa Barbara and Ventura. Three warehouses involved herein are located outside the above-defined areas, namely, at Oceanside (in San Diego County), San Francisco and Oakland, respectively. Applicants comprise the great majority, but not all, of agricultural warehousemen operating in the three areas in question.

requested, therefore, that the matter not be taken under submission at the conclusion of the January hearings. He suggested that some interim relief for applicants might be found to be necessary on the record thus far made.

At the conclusion of the hearings the matter was adjourned to a date later to be set, when the staff should be ready to proceed with its cost and related evidence. This interim opinion is promulgated to determine what, if any, provisional increases in the warehouse rates of applicants are justified, pending completion of the record.

Evidence on behalf of applicants was presented by the secretary-manager of the California Warehousemen's Association, by two certified public accountants, and by 17 operating witnesses, officials of some of the applicant warehousemen. Applicants' witnesses were fully cross-examined by counsel for the Commission staff.

The commodities for which warehouse rate increases are herein sought fall into three principal groups, namely, grain, beans and rice.^{2/} At the present time, some degree of rate uniformity by commodities prevails within each of the respective producing areas; even so, there is considerable rate variation as between the applicants which are parties to so-called "bureau" tariffs and those which issue their own tariffs.^{3/} Rate uniformity as among the three areas does not exist.

Applicants propose herein rates which vary as to commodity but which shall be uniformly applicable for all three geographical areas, except that, where the presently applicable rates are higher

2/ Other commodities embraced by the application are seeds, safflower, empty burlap bags and wool.

3/ For the most part, rates of applicants are set forth in tariffs of the California Warehouse Tariff Bureau. A few applicants publish individual tariffs.

than the proposed rates, said present rates shall continue unchanged. The effect of granting the application would be to bring about a higher degree of rate uniformity among applicants than presently exists. According to the secretary-manager, the circumstances, including operating costs, under which agricultural warehousing is conducted are substantially the same in all three of the areas in question.

The proposed rates, together with proposed accessorial charges, are set forth in Appendix B of the application, as amended. In Appendix A of this interim opinion is set forth a comparison of those present rates which are published in tariffs of the above-mentioned tariff bureau, on the principal commodities involved, with the corresponding proposed rates.

The rates involved herein are stated, for the most part, in cents per ton per season or portion thereof and include the services of handling in and out, as well as storage. The storage seasons are for 12 months, the starting dates of which vary with the commodity to be stored. These dates range from June 1, for grain (except corn and milo) to September 15, for paddy rice.

The amounts by which rates are sought to be increased vary widely as between commodities and warehouses. The greatest increases, it appears, would occur for the most part in the Sacramento Valley, where the present rates are usually lower than in the other involved areas. The rates on dried beans, for example, would be increased at some Sacramento Valley warehouses in some instances from 259 cents to 500 cents per season.^{4/} The corresponding increases in bulk grain (except oats) would be from a rate of 288 cents to 350 cents per

^{4/} According to the record the rate of 259 cents is a "dead" rate and applies only at warehouses at which beans are not stored.

season, and in bulk paddy rice from 316 cents to 400 cents per season.

The dates when rates here in issue were last adjusted, the record shows, are as follows:

| | |
|---------------------------|-------------------|
| Lower San Joaquin Valley | June 1, 1945 |
| Sacramento Valley | June 1, 1951 |
| Upper San Joaquin Valley | July 23, 1951 |
| Central Coast Counties | October 26, 1954 |
| Sacramento Valley (Beans) | November 30, 1957 |

Increases, the operating witnesses testified, have been experienced in all categories of operating expenses since the most recent adjustments in their respective rates. Assertedly, the present rates here in issue do not produce revenues sufficient to enable applicants to conduct their utility warehouse operations at a profit. The proposed rates, the secretary-manager testified, were arrived at after careful study of applicants' revenue needs and of the trend in the grain and bean business toward buying and selling directly from the farm. The proposed rates, he said, were not so high as to price applicants out of the business, but were the lowest which their operating expense levels would permit.

The two accountant witnesses testified concerning analyses which they had made of the operating results of 15 of the applicants scattered throughout the three producing areas. Each engages in substantial warehousing of one or more of the three commodity groups involved. These warehousemen, the record shows, were selected by the Commission's staff as those which could be considered representative of the industry for the purpose of cost analysis and rate determination. The list was developed following an investigation

by the staff, at the direction of the Commission, of country warehouses engaged in the storage of beans, grain and rice, for the above-stated purpose.^{5/} It is applicants' position that it would be impracticable to make suitable revenue and expense analyses, for the purposes of this proceeding, of each of the 118 applicant warehousemen. They offer the operating results of the 15 selected warehousemen, therefore, as evidence supporting the propriety of the sought rate relief for all of the applicants.

The period utilized by the accountants for analysis in each instance was the most recent 12-month period for which figures were available at the time. The study was begun in the fall of 1959 and continued into the summer of 1960. Each of the operators studied engages in one or more activities other than that of public utility warehousing of the commodities involved herein. In order, therefore, to ascertain the operating results attributable to the latter group of activities, it was necessary to segregate the revenues and operating expenses related thereto. The accountants then took the next step of segregating revenues and expenses assignable to the warehousing of rice, grain and beans, respectively. The operating results thus developed by the accountants for each of these commodity groups, and for the respective fiscal periods indicated, are summarized in Table I following:

^{5/} The staff investigation included a field survey which was made in August and September of 1958. On October 21, 1958 the Commission furnished the original list of 15 warehousemen to the above-mentioned secretary-manager. In May 1960, on request of counsel for applicants, a supplemental list of four operators was furnished by the Commission staff, from which two were selected by applicants to replace two operators whose records were not available.

TABLE I

Results of Operations, for 12-Month Periods Ending on Dates
Shown, of 15 Warehousemen Studied

| <u>Warehouseman</u> | <u>Year Ended</u> | <u>Revenues</u> | <u>Expenses (Including Income Taxes)</u> | <u>Net After Taxes</u> | <u>Operating Ratio (Percent)</u> |
|----------------------------|-----------------------|-----------------|--|--------------------------------|--|
| <u>(A) Rice</u> | | | | | |
| Collins & Story (S) | 6-30-59 | \$27,347 | \$25,935 | \$1,412 | 94.3 |
| N. F. Davis (SJ) | 3-31-59 | 46,540 | 63,714 | (17,174) | 136.9 |
| Glenn Growers (S) | 3-31-60 | 34,750 | 48,993 | (14,243) | 141.0 |
| Sacramento River (S) | 12-31-58 | 48,398 | 53,131 | (4,733) | 109.8 |
| Willows Rice (S) | 9-30-59 | 32,126 | 35,681 | (3,555) | 111.1 |
| <u>(B) Grain</u> | | | | | |
| C. H. Fowler (SJ) | 12-31-59 | \$ 9,693 | \$ 15,284 | \$ (5,591) | 157.7 |
| Riverside (SJ) | 5-31-59 | 101,568 | 114,606 | (13,038) | 112.8 |
| Sacramento River (S) | 12-31-58 | 124,036 | 135,911 | (11,875) | 109.6 |
| Salzer (SJ) | 6-30-59 | 402,723 | 325,901 | 76,822 | 80.9 |
| Mitchell Silli- man (C) | 12-31-58 | 40,922 | 47,018 | (6,096) | 114.9 |
| Valley Grain (SJ) | 12-31-58 | 43,098 | 39,022 | 4,076 | 90.5 |
| <u>(C) Beans</u> | | | | | |
| Collins & Story (S) | 6-30-59 | \$20,090 | \$26,577 | \$ (6,487) | 132.3 |
| Dompe (SJ) | 7-30-59 | 37,476 | 47,057 | (9,581) | 125.6 |
| Eckhart (C) | 12-31-58 | 44,723 | 42,987 | 1,736 | 96.1 |
| Ed. J. Lyng (SJ) | 3-31-59 | 24,687 | 36,185 | (11,498) | 146.6 |
| Oakland Bean (S) | 12-31-58 | 10,580 | 13,953 | (3,373) | 131.9 |
| Rubke (S) | 12-31-58 | 5,917 | 8,501 | (2,584) | 143.7 |
| Mitchell Silliman (C) | 12-31-58 | 45,344 | 68,197 | (22,853) | 150.4 |

C - Coastal Area

S - Sacramento Valley Area

SJ - San Joaquin Valley Area

() - Indicates Loss.

Some of the applicants included in the study store agricultural commodities for a federal agency, the Commodity Credit Corporation. The record shows that the compensation to the warehousemen for these services is at contract rates, which are substantially higher than the published tariff rates. The accountants adjusted this CCC revenue by calculating it at tariff rates. Thus, the revenue shown in Table I for those utilities which stored CCC tonnage during the periods studied is understated.^{6/}

^{6/} It appears from the record that, insofar as the utilities included in the study are concerned, CCC storage revenues are involved only in connection with grain. According to the secretary-manager, there were 35,000,000 bushels of CCC grain under storage in California as of October 1960.

The principal nonutility operations in which applicants engage are bean cleaning (by the bean warehouses) and rice drying (by rice warehouses). Other nonutility activities include farming, brokerage, butane sales, retail seed store operation, and trucking. In segregating warehousing costs from the nonutility expenses the accountants found it necessary in many instances to make allocations between the different services. These allocations, the record shows, were made on a number of different bases. In each instance, the accountants reviewed the allocations with the warehouse managers. They also conferred with a consulting engineer of broad experience in warehouse operating cost analysis.

In addition to the above-described segregations of expenses, the accountants made certain adjustments in the book figures of the 15 warehousemen. Among these were the following: where no salary for managerial services of owner or partners appeared in the book records an allowance for this item was included; where expenses had been recorded by applicants on a cash basis, they were converted to an accrual basis; where warehouse facilities were rented from an affiliated company rental expense was eliminated and landlord expense substituted therefor; where accelerated depreciation was shown on the books, the figures were revised to reflect a normal straight-line rate. With respect to this last item, it appears that the estimated results of operation would not be materially affected by a shift from one basis to the other.

The accounting witnesses developed also estimated operating results for the warehousing of rice, grain and beans under the proposed rates. These results are summarized in Table II following:

TABLE II

Estimated Operating Results Under Proposed Rates, for Same Periods as in Table I (With No Changes in Expenses Except for Income Taxes).

| <u>Warehouseman</u> | <u>Revenue</u> | <u>Net After Taxes</u> | <u>Operating Ratio (Percent)</u> |
|-----------------------|------------------|------------------------|----------------------------------|
| <u>(A) Rice</u> | | | |
| Collins & Story (S) | \$33,714 | \$5,624 | 83.3 |
| N. F. Davis (SJ) | 70,045 | 4,188 | 94.0 |
| Glenn Growers (S) | 39,711 | (9,282) | 123.4 |
| Sacramento River (S) | 61,011 | 5,213 | 91.5 |
| Willows Rice (S) | 40,073 | 2,905 | 92.8 |
| | <u>\$244,554</u> | <u>\$8,648</u> | <u>96.5</u> |
| <u>(B) Grain</u> | | | |
| C. H. Fowler (SJ) | \$ 16,912 | \$ 1,077 | 93.6 |
| #Riverside (SJ) | 101,563 | (13,038) | 112.8 |
| Sacramento River (S) | 151,135 | 10,071 | 93.3 |
| Salzer (SJ) | 468,123 | 106,488 | 77.3 |
| Mitchell Silliman (C) | 44,074 | (2,944) | 106.7 |
| #Valley Grain (SJ) | 43,098 | 4,076 | 90.5 |
| | <u>\$824,910</u> | <u>105,730</u> | <u>87.2</u> |
| | | | *100.2 |
| <u>(C) Beans</u> | | | |
| Collins & Story (S) | \$ 27,434 | \$ 600 | 97.8 |
| Dompe (SJ) | 67,505 | 13,513 | 80.0 |
| Eckhart (C) | 58,990 | 11,173 | 81.1 |
| Ed. J. Lyng (SJ) | 40,047 | 2,555 | 93.6 |
| Oakland Bean (S) | 14,017 | 42 | 99.7 |
| Rubke (S) | 8,119 | (382) | 104.7 |
| Mitchell Silliman (C) | 60,459 | (7,738) | 112.8 |
| | <u>\$276,621</u> | <u>\$ 19,763</u> | <u>92.9</u> |

C - Coastal Area

S - Sacramento Valley Area

SJ - San Joaquin Valley Area

() - Indicates Loss

Figures carried forward from Table I without change, since rates of this applicant are now higher than those proposed, and will not be changed if application is granted.

* Excluding Salzer. ✓

The revenue estimates shown in Table II were developed by substituting the proposed rates for the published tariff rates, and the CCC contract rates, in connection with the tonnage stored during the fiscal periods specified in Table I. The expense figures utilized in developing the estimated results under the proposed rates were basically the same as those employed in arriving at the results shown in Table I. The only differences are in the amounts of income tax expense reflected by the respective estimates. It is here pointed out that the income tax amounts included in the expense estimates both under present and proposed rates are hypothetical, since the amounts in question are based solely on the revenue derived from, and the estimated expenses incurred in the warehousing of the commodity groups specified in the tables. The income taxes, if any, actually paid by the applicants in question reflected, of course, the results of their entire operations, and the same would be true had the proposed rates been in effect during the periods studied.

The record shows that the present rates of Riverside Elevators and Valley Grain Drier, both of which are included in the group of grain warehousemen in Tables I and II, are higher than those sought herein. If the application is granted the rates of these two applicants will remain unchanged. Accordingly, we have carried forward in Table II the operating results of said applicants as shown in Table I.

Many of the operating witnesses testified to the importance of their nonutility activities, such as bean cleaning and rice drying. They pointed out that the charges for such services are higher than the published tariff rates for storage of the commodities involved, and stated that if it were not for the revenues derived from the nonutility operations it would be extremely difficult for their

respective companies to continue in business. At the same time operating witnesses testified that they had been alert to improve the efficiency of their operations. Prominent among the steps taken in this direction were the conversion from sack storage to bulk storage of grain and rice, and the installation of conveyor systems.

Granting of the application was opposed by the California Bean Growers Association, an organization with a membership of 412 growers, who reside and farm in the three areas involved herein. The protest of this association was limited to the proposed increases in rates and charges as they apply to dried beans. The Association's secretary testified that the increase in rates, if authorized, would be borne by the bean growers and that, in effect, the growers are now paying rates per ton of clean beans which are higher than the published rates because of the practice by which most of the applicants charge seasonal storage rates based on the inbound weight of uncleaned beans, including the dirt and refuse. The witness introduced exhibits depicting examples of the charges paid by growers for the storage of such dirt and refuse.^{7/} In view of this practice, he asserted, the imposition of additional charges, in the form of increased rates, would be unreasonable. Applicants' witnesses testified that the practice in question is reasonable since the warehousemen incur the expense of handling the offal and of providing temporary storage for it.

Two rate experts from the Commission's Rate Branch testified concerning exhibits which they had prepared. These

^{7/} Applicants' tariffs are presently silent on this point; however, it appears that the majority of the operators assess charges on the weight of the uncleaned beans when they are so tendered for cleaning and storage. Applicants propose herein to provide specifically that first season rates shall apply on the gross weight of the beans received. According to the above-mentioned exhibits, dirt and refuse reflected percentages of the gross weight of the beans ranging from, for the most part, 4 to 10 percent, except in the San Joaquin Valley, where the ratios were considerably higher.

exhibits included a report of the 1958 staff field survey to develop a list of representative agricultural warehousemen, a statement of the warehouse operative rights held by applicants, a list of country warehousemen who are not parties to the application, and a statement in which the present rates, on the principal commodities involved herein, of all the applicants are compared with the proposed rates. A financial examiner from the Commission's Finance and Accounts Accounts Division explained exhibits which he had prepared setting forth the results of a preliminary analysis of the balance sheet and income statement data of 13 selected agricultural warehouses.

Conclusions

As hereinbefore stated, the Commission's staff is engaged in a program of cost and rate studies, the results of which will not be ready for presentation until after the 1961 harvest season during the course of which the necessary performance data will be developed for the determination of unit warehousing costs. Through these studies the staff plans to develop the actual costs of performing agricultural warehousing services in the three geographical areas embraced by this proceeding. The results of the studies should show whether warehouse rates for uniform application throughout the areas involved are justified. On the basis of the staff cost studies specific rate proposals may be presented at the adjourned hearings.

Applicants predicate their request for rate increases, to be uniformly available to all of their number, on the estimated operating results of the warehousing of the principal commodities in issue, by the 15 applicants selected as representative of the entire group. These operating results, as summarized in Table I, under the present rates, and in Table II, under the proposed rates, vary widely among the houses included in the study. Table I, for

example, shows operating ratios ranging from 94.8 to 141.0 percent in the rice group, from 80.9 to 157.7 percent in the grain group and from 96.1 to 150.4 percent in the bean group. Corresponding divergences are exhibited in Table II. It appears that, in order to utilize the figures in the above tables as a guide to such interim rate increases as may be justified for all applicants, the operators studied should be considered as a group, in each of the respective commodity categories. Thus, the estimated operating results under the proposed rates reflect weighted average operating ratios of 96.5, 87.2 and 92.9 percent for rice, grain and beans, respectively. With respect to the grain group, however, the ratio is greatly distorted by the heavy tonnage and extremely favorable operating results shown for Salyer Grain and Milling Co. When this utility is excluded from the computations, the estimated weighted average operating ratio for the grain group, under proposed rates, is 100.2 percent.

The estimates set forth in Tables I and II are to be appraised in the light of certain facts, which were brought out in the record. As previously stated, the CCC tonnage of grain was ✓
reterated at present and proposed tariff rates. Thus, the storage revenues for those houses storing CCC grain were greater than indicated by the Tables. It appears, moreover, that large quantities of Government grain will continue in California storage during the coming storage season. With respect to beans, the record shows that the warehousemen receive some additional revenues from the sale of bean screenings that are unclaimed by the storers. This revenue, which is small, is not included in the estimates. ✓

In making segregations of operating expenses as between utility storage of rice, grain or beans, on the one hand, and all other business activities of applicants, on the other, the accountants assigned all expense of receiving the property from the farmer to the utility operation. The rice warehousemen engage in the drying of rice, as well as in storage, and the bean warehousemen clean practically all the beans that they receive for storage. The record indicates, moreover, that the rice and bean applicants receive greater revenues from these nonutility services than from the storage of those commodities. The evidence indicates that the rice must be dried before it can be stored and that the beans must be cleaned before they can be marketed. The propriety of assigning the entire expense of receiving the beans and rice to the storage function was questioned by the staff. A review of the record, however, indicates that even if all the receiving expense were charged to nonutility the estimated operating results would not be materially changed.

Table III following shows estimated operating results under an increase of 20 percent in lieu of those sought by applicants. These results have been developed by increasing the revenue figures shown in Table I by 20 percent and utilizing the expense figures therein, except that the latter have been adjusted to reflect the hypothetical income taxes, if any, that would be produced by the increased revenue. The estimated results set forth in Table III are, of course, subject to the same reservations that apply to Tables I and II.

TABLE III

Estimated Operating Results, Assuming an Increase of 20 percent in All Present Rates, for Same Periods as in Table I.

| <u>Warehouseman</u> | <u>Revenue</u> | <u>Net After Taxes</u> | <u>Operating Ratio (Percent)</u> |
|-----------------------|------------------|------------------------|----------------------------------|
| (A) Rice | | | |
| Collins & Story (S) | \$32,816 | \$5,030 | 84.7 |
| N. F. Davis (SJ) | 55,848 | (7,866) | 114.1 |
| Glenn Growers (S) | 41,700 | (7,293) | 117.5 |
| Sacramento River (S) | 58,078 | 3,272 | 94.4 |
| Willows Rice (S) | 38,551 | 1,898 | 95.1 |
| | <u>\$226,993</u> | <u>\$ (4,959)</u> | <u>102.2</u> |
| (B) Grain | | | |
| Fowler (SJ) | \$ 11,632 | \$ (3,652) | 131.4 |
| #Riverside (SJ) | 101,568 | (13,038) | 112.8 |
| Sacramento River (S) | 148,843 | 8,555 | 94.3 |
| Salyer (SJ) | 483,268 | 111,310 | 77.0 |
| Mitchell Silliman (C) | 49,106 | 1,381 | 97.2 |
| #Valley Grain (SJ) | 43,098 | 4,076 | 90.5 |
| | <u>\$837,515</u> | <u>108,632</u> | <u>87.0)</u> |
| | | | <u>* 100.8)</u> |
| (C) Beans | | | |
| Collins & Story (S) | \$ 24,108 | \$ (2,469) | 102.4 |
| Dompe (SJ) | 44,971 | (2,086) | 104.6 |
| Eckhart (C) | 53,668 | 7,653 | 85.7 |
| Ed. J. Lyng (SJ) | 29,624 | (6,561) | 122.1 |
| Oakland Bean (S) | 12,696 | (1,257) | 109.9 |
| Rubke (S) | 7,100 | (1,401) | 119.7 |
| Mitchell Silliman (C) | 54,413 | (13,784) | 125.3 |
| | <u>\$226,580</u> | <u>\$ (19,905)</u> | <u>108.8</u> |

C - Coastal Area

S - Sacramento Valley Area

SJ' - San Joaquin Valley Area

() - Indicates Loss.

#-Figures carried forward from Table I because no change in rates sought for this applicant.

*-Group operating ratio exclusive of Salyer Grain and Milling Co.

The weighted average estimated operating ratios in Table III are 102.2, 87.0, and 108.8 percent for rice, grain and beans, respectively. If Salyer is excluded, the ratio for the grain group is 100.8 percent. If adjustments were to be made in the grain ✓

group estimates to give full effect to the CCC revenue, it appears that the results shown for the grain operators in all three of the above tables would be more favorable than the tables indicate. On the other hand, this latter factor is to some extent offset in Table III, since some rates, particularly in the grain group, are proposed to be increased by amounts less than 20 percent.

Estimated rates of return were developed by applicants' accountants only under the proposed rates and only in connection with the warehousing of grain. The rates ranged from nothing to 5.27 percent, except for Salyer, for which a return of 9.08 percent was estimated. The data of record are insufficient to evaluate the reasonableness of the proposed rates on the basis of rates of return.

The record shows that rates of the country warehouses involved herein were last increased, in some instances as long ago as 1945 and in no case more recently than November 30, 1957. It appears that applicants, including those not included in the accountants' study, have not been spared the impact of the rise in prices, wages, taxes and other elements of expense which, on a broad scale, has taken place in this State during the intervening years. As hereinbefore mentioned, applicants have, by various means, improved the efficiency of their operations. The record indicates that some of the improvements, such as the changeover to bulk handling and storage of commodities and the installation of conveyor machinery, were adopted by many of the operators several years ago.

The rate increases sought herein range from 8 percent to 100 percent, depending on the commodity and warehouse involved. Practically all of the proposed rates reflect increases of less

than 60 percent and the average increase sought is 33 percent. While the record as it now stands does not justify the full amount of the increases sought by applicants, the evidence is persuasive, and we so find, that an interim increase of 20 percent, subject to the reservation hereinafter stated, has been justified for the rates and charges involved herein. This finding includes the so-called "passing through" charges, the proposed cancellation of which we find not justified on this record. The above finding shall not be construed as justifying any increase in rates or charges in excess of those sought by applicants.

Applicants seek authority herein to cancel certain so-called "paper" or "dead" rates, under which, it is alleged, no storage has taken place in recent years. Also, as previously mentioned, applicants propose the addition of a rule to their tariffs which will specifically provide that first season charges on beans shall be assessed on the basis of the gross inbound weight. Disposition of these requests will be made in the final decision.

In view of the fact that the rates involved herein are for the most part seasonal rates, and that the starting date for the earliest storage season, that of grain (except corn), is June 1, the effective date of the authorizing order will be fifteen days after the date hereof and applicants will be permitted to establish the interim increases on not less than five days' notice to the Commission and to the public.

INTERIM ORDER

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

IT IS ORDERED that:

1. Pending further order of the Commission, applicants are hereby authorized to increase by twenty percent all rates and charges sought by the application, as amended, filed in this proceeding, to be increased, except that, in no instance shall any rate or charge be increased by a greater amount than that proposed in said application, as amended. The tariff publications authorized to be made as a result of this order may be filed not earlier than the effective date hereof, and may be made effective on not less than five days' notice to the Commission and to the public. In publishing the increased rates authorized herein, the following shall govern the disposition of fractions:

When the increased rate results in fraction with a decimal equivalent of:

Use fraction of:

Over

Not Over

Rates or charges of 10 cents or less

| | | |
|------|------|-----------------|
| .000 | .125 | drop |
| .125 | .375 | 1/4c |
| .375 | .625 | 1/2c |
| .625 | .875 | 3/4c |
| .825 | - | next whole cent |

Rates or charges over 10 cents, but not over 25 cents

| | | |
|-----|-----|-----------------|
| .00 | .25 | drop |
| .25 | .75 | 1/2c |
| .75 | - | next whole cent |

Rates or charges over 25 cents

| | | |
|-----|-----|-----------------|
| .00 | .50 | drop |
| .50 | - | next whole cent |




2. Said increased rates and charges may be published in the form of a surcharge rule. Resulting fractions of less than one half cent will be dropped, and fractions of one half cent or greater will be increased to the next whole cent.

3. The authority herein granted is subject to the express condition that applicants will never urge before this Commission, in any proceeding under Section 734 of the Public Utilities Code, or in any other proceeding, that the opinion and order herein constitute a finding of fact of the reasonableness of any particular rate or charge, and that the filing of rates and charges pursuant to the authority herein granted will be construed as a consent to this condition.

4. The authority granted herein shall expire unless exercised within one hundred twenty days after the effective date of this order.

This order shall become effective fifteen days after the date hereof. ✓

Dated at San Francisco, California, this 9th
day of May, 1961.

 President

 Commissioners

Appendix A

Comparison of Proposed Rates with Rates
Presently Published in Tariffs of
California Warehouse Tariff Bureau

| COMMODITY | | PROPOSED RATES (Season Except as Shown) | P R E S E N T R A T E S | | |
|---|---------|---|---|--|--|
| | | | Sacto. Valley CWTB Tariff 31-C Tariff 24 | San Joaquin Valley CWTB Tariff 25 (Season Except as Shown) | Coast Counties CWTB Tariff 16-C |
| BEANS (IN SACKS) | Per Ton | \$ 5.00 | \$ 4.00 | \$ 3.13 | \$ 3.75 |
| GRAIN (IN SACKS) | Per Ton | 4.00 | 2.30 | 2.50 | 3.25 |
| GRAIN (IN BULK) OATS | Per Ton | 4.00 | 2.88 | 3.13 | 3.25 |
| OTHER THAN OATS | Per Ton | 3.50 | 2.88 | 3.13 | 3.25 |
| RICE (IN SACKS) | Per Ton | 4.50 | 2.59 | 2.81 | |
| RICE (IN BULK) | Per Ton | 4.00 | 3.16 | 3.44 | |
| SAFFLOWER (IN BAGS) | Per Ton | 4.00 | 3.45 | | |
| SAFFLOWER (IN BULK) | Per Ton | 3.50 | 3.45 | | |
| GRAIN, RICE, SAFFLOWER extra month storage at end of season | Per Ton | 1.25 | 1.15 | 1.25 | |
| SEED BEANS (IN SACKS) | Per Ton | 6.00 | | | 4.75 |
| SEED, viz., (IN SACKS): | | | | | |
| MUSTARD | Per Ton | 5.00 | | | 4.25 |
| BRASSICACEA SPECIES | Per Ton | 5.00 | 3.45 | 3.75 | 5.50 |
| CANARY GRASS | Per Ton | 4.50 | | | 5.50 |
| FENUGREEK | Per Ton | 4.50 | | | 5.50 |
| WINTER ANNUAL FIELD | | | | | |
| PEAS | Per Ton | 4.50 | 3.45 | 3.75 | 5.50 |
| VETCH | Per Ton | 4.50 | 3.45 | | 5.50 |
| SUDAN | Per Ton | 4.50 | 3.45 | 3.75 | 5.50 |
| ALFALFA & CLOVER (San Joaquin Valley) | Per Ton | 5.00 | | 4.00 | 5.50 |
| BAGS (IN BALES), (1000 bags) | | | | | |
| Storage per bale per month | | .35 | .29 | .31 | .29 |
| Receiving per bale | | .50 | .29 | .31 | .29 |
| Delivering per bale | | .50 | .29 | .31 | .29 |

NOTE: Lower rates are provided in some instances, in individual tariffs of some of the applicants.