

RE: ND PSC Case No. GE-14-763 Licensing Rulemaking
Comments of private citizen Steve Strege
December 15, 2014

These comments draw on my 37+ years of experience (1976-2014) working for the North Dakota Grain Dealers Association (NDGDA), but they are my personal comments as a private citizen. Discussions between the PSC and NDGDA leading up to this rulemaking began prior to my May 31, 2014 retirement so I feel a part of it. Readers may have heard me say some of this before. However, no implication is made that these comments represent or are in agreement or disagreement with NDGDA.

Those 37+ years included almost 36 years being a licensed ND insurance agent writing grain warehouse bonds through the NDGDA agency. I hope this background will be helpful regarding this matter. Over those years it was my pleasure to be part of a collaborative effort by about a dozen Commissioners, numerous PSC staff persons, legislators, NDGDA and other industry participants in building up and promoting a reliable grain handling system to serve farmers, customers and the state. I anticipate that cooperation will continue.

If you are going to increase bonds I strongly suggest you stick with the bond amount brackets in 69-07-02-02 instead of going to the proposed per bushel calculation. The per bushel calculation of 50 cents or 65 cents per bushel would mean a bond increase process for the elevator, its bond agent, the bonding company and the PSC for as little as a one bushel capacity increase. You don't want that. It's possible your own inspectors might measure a bin on two separate occasions and come up with slightly different capacities. Under a per bushel calculation rule any increase would trigger a bond increase process. Instead, if you are going to 65 cents per bushel on newer businesses, simply add another column to the table with a 30% increase in the bond amount. For example, the 175,001 through 200,000 bushel bracket would have a column with the current bond amount of \$100,000 if licensed seven years or more and a new column for those licensed less than seven years with a bond amount of \$130,000. For licensees over 500,000 bushels you could keep the \$5000 bond for every additional 25,000 bushels for those in business seven years or longer and go to \$6500 bond for every additional 25,000 bushels for those in business less than seven years.

It appears the proposal to require more bond of those whose handle exceeds seven times licensed capacity is aimed at processors. A review of insolvencies reveals some processors have been problems. But so too have been specialty and organic operations. The type of crops being handled might be a better indicator than volume of a higher potential for problems. The most recent insolvency of an otherwise common farmers elevator involved a specialty crop. I don't have a silver bullet solution for you, but the type of commodity and breadth of its market is an issue. In contrast, markets for more

common crops are more established, broader, always open and most have futures market protection mechanisms.

The current 45 days scale ticket conversion deadline used to be 30 days. I was involved in industry discussions with PSC that resulted in adding those additional 15 days. I think you could add more days and still find some tickets going past the new deadline. Some farmers don't want to make a decision until the last possible moment, and then some. And some elevator managers, responding to the requests of their customers, accommodate that procrastination. I doubt if changing the required bond amount because of the elevator's scale ticket conversion policy will accomplish much more than adding confusion to the code. I wouldn't do that if I were you. If this is a critical issue then more education and rethinking enforcement may be necessary.

I wish you well in your deliberations and consultations.

Respectfully submitted,
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