

Richter, Susan K.

From: Kristi Carlson <kcarlson@ndfu.org>
Sent: Thursday, January 08, 2015 1:50 PM
To: Fedorchak, Julie L.; Christmann, Randel D.; Kalk, Brian P.
Cc: Richter, Susan K.
Subject: warehouse bond rules
Attachments: PSC Grain Bond.pdf

Commissioners,
Thanks for visiting Monday. As I said, I apologize that our comments on the warehouse bonding rules didn't make it to your desks as a result of our email system. I know our comments can't be received on the record, but I'll pass them onto you anyway.

Thanks again for your time and for your consideration of these issues.

Kristi

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25 **GE-14-763** Filed: 1/8/2015 Pages: 3
Comments



State of North Dakota
Public Service Commission
Public Service Commission Case No. GE-14-763
By Email Only



To the Public Service Commission:

Thank you for the opportunity to provide comments on proposed changes to Chapter 69-07-02 of the North Dakota Administrative Code. As the largest general farm organization in the state representing over 40,000 families, NDFU advocates the policy positions developed democratically by our grassroots membership. We appreciate the Public Service Commission's (PSC) efforts over the years to hear from the farming community on how to best protect the promises made in the farmer-buyer relationship.

We offer the following comments on the key elements proposed:

1. We agree that additional bond coverage should be required for newer licensees. This proposal appears reasonable, given that most failures happen in newer facilities.
2. We agree that it is reasonable to require additional bond coverage for larger annual purchase limits. We also believe that tying protection to handling (not just capacity) would provide more appropriate protection.
3. When a scale ticket is converted in a shorter time frame, risk is lowered. This proposal incentivizes good practices by licensees and we find it reasonable to reduce bond coverage for licensees that follow a shorter scale ticket time frame.

We also would invite further consideration of differentiating between processors of raw agriculture products and traditional grain handlers because the business models are dissimilar. For example, for processors, the margins received for the final processed goods are higher, but don't necessarily belong to the original producer or seller of the raw commodity. The value-added business can increase risk to the original sellers just by internally varying the price being used as a cost to the processing side of the business.

We also suggest requiring licensees to maintain certain financial covenants, such as providing audit reports, financial statements, current ratios, reports of grain on hand to satisfy contracts, or other evidence of financial stability. Such evidence would put us in the position of preventing failures instead of working to clean up damage after the fact. Adopting such standards would put North Dakota in the company of many other states, which, in turn, have adopted lower bond requirements.

Though we fully understand the credit sale contracts and pre-pay sales are not recoverable from the bond, we do express our concern about the indemnity fund's low





limit and the lack of protection for pre-pay sales. We will continue to work with the PSC, the legislature and other agriculture organizations to find solutions.

Thank you again for the opportunity to comment and for your willingness to listen to the agriculture community.

Sincerely,

NORTH DAKOTA FARMERS UNION

Mark Watne
President

