

ORIGINAL

Decision No. 40220

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
SAN DIEGO ELECTRIC RAILWAY COMPANY) Application No. 28131
for authority to increase rates.)

FORREST A. COBB and MORRISON, HOHFELD, FOERSTER,
SHUMAN & CLARK, for applicant.
J. F. DU PAUL, City Attorney and S. J. HIGGINS,
Special Counsel, for the City of San Diego.
MEREDITH CAMPBELL, City Attorney, for the City
of National City.
H. R. FULLER, City Manager, for the City of
Coronado.
DONALD A. STEWART, City Attorney, for the City of
El Cajon.
RALPH DAILARD, for San Diego School District.
W. H. JENNINGS, City Attorney, for the City of
La Mesa.
BERT McLEES, for the San Diego School District.

INTERIM OPINION

In this application, as amended, San Diego Electric
Railway Company seeks authority to effect certain increases in its
fare structure.

Public hearings were held in this matter at San Diego,
April 17 and 18, 1947, at the conclusion of which the record thus
far adduced was taken under submission for the purpose of con-
sidering applicant's request for an interim order with the
understanding that a further hearing will be held at San Diego,
June 26, 1947, to complete the record on all the issues involved.

Applicant conducts a local transportation operation serving the San Diego Metropolitan Area which, in a general way, encompasses a triangular section with LaJolla on the northwest, El Cajon on the northeast and Chula Vista on the south. Applicant's present fare structure is based on a zone system with seven zones radiating from the business center of the city of San Diego. The present intrazone cash fare is 5 cents in combination with interzone fares which are less for the longer distances than a summation of the single zone fares through the use of tokens and reduced single and round-trip fares. The company also offers a number of different classes of weekly and monthly passes for both the general public and students attending school. Tokens are sold at the rate of 8-1/3 cents each in blocks of 3 for 25 cents. A token is good for a two-zone ride between points in contiguous zones provided, however, that not more than one token may be used on any one continuous one-way trip. The price of weekly passes for the public use ranges from \$1.10 to \$2.35 while the rate on monthly school passes varies from \$1 to \$3 depending upon the length of haul and the restrictions placed upon the various passes.

In this proceeding the company seeks authority to modify the fare structure in the following respects:

1. To consolidate Zones 1 and 2 with a zone fare of 10 cents or an 8-1/3¢ token.
2. To limit use of a token to the present Zone 1 and 2.
3. To increase cost of round-trip tickets 2-1/2 cents per ticket.

4. To increase weekly passes which now range from \$1.10 to \$2.35 to a range from \$1.50 to \$3.
5. To increase certain monthly school passes which now range from \$1 to \$2 to a range from \$1.50 to \$2.50 and cancel certain monthly school passes which now range from \$1.25 to \$3.

In its request for an interim order, applicant seeks authority to put into effect immediately the following fare changes pending determination of the entire proposed plan referred to above:

1. To consolidate Zones 1 and 2 with a zone fare of 10 cents or an 8-1/3¢ token.
2. To increase the present \$1.10 and \$1.35 weekly ^{passes} to \$1.50.
3. To increase certain monthly school passes which now range from \$1 to \$2 to a range from \$1.50 to \$2.50 with the provision that the present \$1.25 monthly school pass will sell for \$2 rather than be cancelled as originally planned; also, to cancel the \$3 pass.

Two exhibits were introduced showing, among other things, either the actual or the estimated operating results for different periods of time. Exhibit No. 1 was introduced by applicant and Exhibit No. 4 by an engineer from the Commission's Transportation Department. The following statement is taken from these exhibits.

Item	Actual 1946		Estimated Year Ending April 30, 1948			
	Ex. 1	Ex. 4	Present Fare Structure		Proposed Fare Structure	
			Ex. 1	Ex. 4	Ex. 1	Ex. 4
Total Oper. Revenue	\$6,269,299	\$6,269,298	\$5,062,000	\$5,146,165	\$5,936,600	\$5,737,040
Total Oper. Expenses Incl. all taxes	6,533,212	6,533,212	5,489,200	5,462,530	5,680,200	5,580,280
Oper. Income	(263,913)	(263,914)	(427,200)	(316,365)	256,400	156,760
Rate Base					4,352,000	4,277,000
Rate of Return					5.89%	3.67%
Oper. Ratio (Before Income Taxes)				106.15	92.79*	95.44
	(Red Figure)					
	* Computed					

The above estimated operating results were based upon present-day wage scale and cost of equipment and supplies. It was also assumed that the operation incorporated all the changes authorized in the Commission's Decision No. 40053, dated March 11, 1947, in Application No. 27700 wherein the company was granted authority to substitute motor coach for rail service on a number of lines. The record shows that these changes will be effected during the month of May. The respective witnesses testified that in preparing the two exhibits referred to above consideration was given to the trend of the volume of traffic over a period of years with compensation for the war period.

Applicant contends that notwithstanding the fact that it has made every effort to effect all possible operating economy and at the same time maintain good service to the public, the expenses now, and for some time past, have exceeded the revenues. This operating deficit has progressively increased during the past 18 months resulting from two principal causes; namely, a material decrease in the volume of traffic and simultaneously therewith an increase in the operating expenses. It is alleged that the company cannot longer continue to sustain this substantial operating loss and provide the public with reasonable and adequate transportation service. Applicant urges that the Commission issue an interim order in this proceeding authorizing it to put into effect immediately the changes outlined above, thereby permitting it to obtain sufficient revenue to pay the cost of providing the service with a small return on the

investment, pending the time an investigation can be had on the entire matter.

No objection developed to applicant's proposed request for such an interim order. On the other hand, the representatives of the city of San Diego and the School Board stipulated that they would not oppose the carrying out of applicant's request for an interim order. In so far as the cities of Coronado and National City are concerned the only change proposed in the interim order is that of increasing the present \$1.35 weekly pass to \$1.50. Applicant estimates that this would increase its gross revenue in Coronado approximately \$40 and in National City \$150 a week, respectively. The representatives from these cities stated that they were not in a position to speak for their respective official governing bodies and that in each case the next regular council meeting is April 29, at which time the matter of the proposed interim order will be considered. The record shows the results of two preliminary estimates, dealing with the probable increase in gross revenue that would obtain from the establishment of the increased fares as outlined in applicant's proposal on an interim basis, as follows: applicant estimates the increase to be \$590,000 which would provide for a return of 2.1% upon a depreciated rate base while the Commission's engineer estimates it to be \$443,000 with a return of 1.6% on a depreciated rate base (Exhibit No. 5).

A review of this record shows that applicant is now sustaining a material operating deficit and is reasonably entitled

to immediate relief. It also shows that the volume of operating loss is increasing due to the decline in traffic without a corresponding decrease in operating expenses. Upon this record, we find that applicant should be granted relief on an interim basis pending the time the entire matter can be investigated. Upon this basis it has justified the increases authorized in the following interim order. This plan is in keeping with a request of the city of San Diego that it be granted additional time to observe the operating results and prepare a detailed statement of its study to be introduced at the next hearing.

INTERIM ORDER

Based upon the foregoing interim opinion, applicant is authorized to publish and file on one day's notice to the Commission and to the public the following modifications in its fare structure:

1. Increase zone fares in Zones 1 and 2 from 5 cents to 10 cents cash or one 8-1/3 cents token sold in blocks of 3 for 25 cents.
2. Increase the \$1.10 pass, good in Zones 1 and 2, to \$1.50.
3. Increase the \$1.35 pass, good in Zone 3, to \$1.50.
4. Increase the following school passes from \$1 to \$1.50:
 - SP Zones 1 and 2 and east to 56th Street and El Cajon Avenue
 - SP-2 Point Loma School District
 - SP-2 LaJolla School District
 - SP-2 Linda Vista School District

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Increase the following school passes from \$1.25 to \$2:

SMP Zones 1 and 2 and east to 56th Street and El Cajon Avenue

SMP-2 Point Loma School District

SMP-2 LaJolla School District

SMP-2 Linda Vista School District

Increase the following school pass from \$2 to \$2.50:

SMP-4 Zones 1 to 3

Cancel the following \$3 school pass:

SMP-5 Zones 1 and 2 and State College Students.

The effective date of this interim order shall be ten (10) days from the date hereof.

Dated at San Francisco, California, this 29th day of April, 1947.

Harold J. Kule
Justus J. Craven
W. H. Howell
A. J. Dunning
Herbert Patten
 COMMISSIONERS