

Decision No. 40949

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
PASADENA CITY LINES, INC., for autho-) Application No. 28584
rity to increase its fares.)

Cosgrove, Clayton, Cramer & Diether by
Leonard A. Diether for applicant.
H. Burton Noble for City of Pasadena;
Paul F. Garber for City of Monrovia;
T. Guy Cornyn for City of Arcadia,
protestants.

ORIGINAL

O P I N I O N

Pasadena City Lines, Inc., operates a passenger stage service, principally in the City of Pasadena and vicinity, and also between Pasadena and the Cities of Arcadia and Monrovia.

By this application, as amended, it seeks authority to increase its single zone cash fare from five to ten cents with two tokens for 15 cents and a one-cent transfer. It also proposes to increase the two-zone fare from ten cents to 15 cents, the three-zone fare from 15 cents to 20 cents, and the four-zone fare from 20 cents to 25 cents. Tokens are not applicable as a part of multiple-zone fare. School fare, as proposed, is 40-ride commutation ticket for \$2.00 in place of the present five-cent cash fare. Free transfer privilege would be continued. Zone limits will not be changed except that the present Colorado and Michilinda second zones will be combined into a single second zone.

Public hearings were held before Commissioner Mittelstaedt and Examiner Chiesa, at Pasadena, on October 17 and 17, 1947, at which time the matter was submitted for decision.

Applicant contends that, due to the increased costs of labor, equipment, materials and supplies, and a recent down trend in passenger revenue, an annual operating loss of approximately \$145,000 will

be sustained under the present fare structure.

Company and Commission engineers presented evidence, both oral and documentary, showing the results of operation based on different fare structures. Estimated results that would obtain under present and proposed fare structures are shown in the following tabulation:

PROJECTED INCOME STATEMENTS				
	12 Months ending		12 Months ending	
	October 31, 1948		September 30, 1948	
	Applicants Exhibit #5		P.U.C. Staff Exhibit #14	
	Present	Proposed	Present	Proposed
	Fare	Fare	Fare	Fare
	(Note A)	(Note B)	(Note A)	(Note B)
Operating Rev.	\$837,892	\$1,096,491	\$853,210	\$1,099,760
Other Rev.	11,266	11,266	17,940	21,840
Total	\$849,158	\$1,107,757	\$871,150	\$1,121,600
<u>Operating Expenses</u>				
Equip. Maintenance & Garage Expense	\$238,426	\$ 238,426	\$199,800	\$ 199,800
Transportation	443,011	443,011	445,800	445,800
Traffic Solic. & Advertising	6,000	6,000	4,800	4,800
Insurance & Safety	41,855	53,492	42,110	42,110
Admin. & General	48,746	56,504	46,000	46,000
Depreciation	120,796	120,796	115,940	115,940
Operating Taxes	87,522	107,677	79,980	100,210
Operating Rents	6,935	6,935	-	-
	\$993,291	\$1,032,841	\$934,430	\$ 954,660
Net before Income Taxes	(144,133)	74,916	(63,280)	166,940
Operating Ratio	117.0%	93.2%	-	85.1%
Income Taxes	\$ -	\$ 27,408	\$ -	\$ 63,690
Net Operating Income	(144,133)	47,508	(63,280)	103,250
Miles Operated	2,299,212	2,299,212	2,325,000	2,328,000

Note A: 5¢ cash; school, 5¢ cash free transfer; interzone 10¢ 2 zones, 5¢ each additional zone, 1¢ transfer.

Note B: 10¢ cash; tokens 2/15¢; school 40/\$2.00; interzone 15¢ 2 zones, 5¢ each additional zone, 1¢ transfer.

As shown, applicant's forecast of revenues is approximately \$22,000 lower, while its estimate of operating expenses is approximately \$59,000 higher than that of the Commission's staff. The variance in revenue estimates arises from the different conclusions reached

as to future trend of traffic. Upon the evidence, we cannot agree with applicant's position as it appears that the indicated down trend is temporary and due, primarily, to the June, 1947 strike. Passenger revenue for the year 1946 averaged approximately \$72,000 monthly. This monthly average was maintained during the first five months of 1947. During the strike month of June, 1947, passenger revenue dropped to \$42,000, followed by a rise to \$64,000 for the months of July and August, and \$68,000 in September. Based upon these figures it is reasonable to assume that passenger revenue will reach normal levels within the near future.

Maintenance of equipment and depreciation expense are the principal items of operating expense accounting for the difference in the estimates of applicant's and Commission's witnesses. Equipment maintenance costs were estimated on a mileage basis, applicant at 6-1/2 cents per mile and the Commission's engineer at approximately one cent below the company's figures. Depreciation expense estimates vary, due to the methods used by the witnesses in arriving at their respective figures.

The company's estimate of depreciation expense and investment follows its accounting practice of including investment cost and depreciation expense for equipment leased to other carriers, and excluding such items for equipment leased from others; whereas the Commission's engineer based depreciation and investment on the property and equipment used in the Pasadena service.

The different theories employed are reflected in the estimates of rate base shown below:

	Depreciated Investment	
	Applicant Ex. #5:P.U.C.	Staff Ex. #14:
Structures, and Motor Coach, Garage, and Office Equipment	\$ 574,833	\$ 527,340
Service Value of Fully Depreciated Motor Coach Equipment	1,012	-
Land	65,000	26,830
Materials and Supplies	25,000	21,980
Organization	14,954	1,000
Working Cash	50,000	-
	<u>\$ 730,799</u>	<u>\$ 577,200</u>

In view of the fact the rates authorized herein are based upon an operating ratio, no good purpose would be served by analyzing the difference in the estimates dealing with depreciated investment.

The Commission's engineer also presented evidence showing a result from operations based on a fare structure of a cash fare of seven cents, or one token fare of 6-1/4 cents (four tokens for 25 cents); 40-ride school ticket for \$2.00; retention of present interzone fares; and all transfers free. Estimated results that would obtain under such fare structure for the 12-month period ending September 30, 1948, follows:

<u>Operating Revenue</u>	\$ 991,330
Other Revenue	<u>19,920</u>
Total	\$1,011,250
<u>Operating Expenses</u>	
Equipment Maintenance & Garage Expense	\$ 199,800
Transportation	445,800
Traffic Solic. & Advertising	4,800
Insurance & Safety	42,110
Admin. & General	46,000
Depreciation	115,940
Operating Taxes	96,900
Operating Rents	<u>-</u>
Total	\$ 951,350
Net before Income Taxes	59,900
Operating Ratio	94.1%
Income Taxes	\$ 20,780
Net Operating Income	39,120
Miles Operated	2,328,000

The City of Pasadena presented evidence through its consultant engineer, of applicant's financial results of operation for the calendar years, 1941 to 1946, inclusive. Estimates of future earnings on different rate structures were not offered, although its witness submitted an estimated rate base of \$573,600, which was arrived at by averaging his estimated rate base as of August 31, 1947, and August 31, 1948.

From the evidence of record it clearly appears that an increase in revenue is necessary in order to provide applicant a reasonable return for the service rendered. We find, however, that the additional revenue which would accrue under fares as proposed by the company would result in net revenues in excess of an amount reasonably justified on this record. The fare structure developed by the Commission's engineer of seven-cent cash fare, four tokens for 25 cents, and retention of the present interzone fares with free transfer privileges appears reasonable.

Upon full consideration of the evidence of record, we are of the opinion and find as a fact that an increase in applicant's basic fare to seven cents cash, with four tokens selling for 25 cents, and the retention of the present interzone fares with free transfer privileges throughout its system has been justified to the extent set forth in the following order.

O R D E R

The above entitled application having been heard and submitted, the Commission being fully advised in the premises and good cause appearing,

IT IS ORDERED:

(1) That Pasadena City Lines, Inc. be, and it hereby is authorized to establish on not less than five (5) days' notice to the Commission and to the public, increased fares and revised fare zones, by amending its Local Passenger Tariff No. 4, (Cal. P.U.C. No. 4), as follows:

Zones

Consolidate its present Colorado and Michilinda subzones, in Zone 2, into one subzone.

Fares

Between points within inner zone or between points within

subzones in Zones 2, 3, and 4:

Local one-way cash fare	7 cents
Local one-way token fare (4 tokens for 25¢)	6-1/4 cents
Children's fare (over 5 years of age) same as adult fare	
Students' fare	40-ride ticket, \$2.00
Transfer	Free

Interzone fares shall be the same as the present interzone fares, provided that upon the establishment of fares as herein authorized, applicant shall issue free transfers.

(2) That the authority herein granted shall expire unless all fares and changes herein authorized are filed and made effective within ninety (90) days from the effective date of this order.

(3) That in all other respects Application No. 28584 be, and it hereby is, denied.

The effective date of this order shall be twenty (20) days from the date hereof.

Dated at San Francisco, California, this 19th day of November, 1947.

Harold Hule

Frank H. Hule

R. J. Hule

COMMISSIONERS