

Decision No. 41277

## BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
 GLENDALE CITY LINES, INC. for an order )  
 granting permission to increase its adult )  
 basic local passenger rate of fare from )  
 7¢ cash or 4 tokens for 25¢ to 10¢ cash )  
 or 5 tokens for 35¢ and to increase other )  
 fares as more particularly set forth herein. )

**ORIGINAL**

Application No. 28999

Cosgrove, Clayton, Cramer & Diether by Leonard A. Diether and  
 C. H. Hasbrouck for applicant; Henry McClerman, City Attorney, and John H. Lauten,  
 Assistant City Attorney, for the City of Glendale.

O P I N I O N

In this Application Glendale City Lines, Inc., seeks authority to effect certain increases in its fare structure.

Public hearing was held in this matter before Commissioner Mittelstaedt and Examiner Chiesa, at Glendale, on February 18, 1948, and the matter taken under submission.

Applicant provides local passenger transportation service in the City of Glendale and portions of Burbank and Los Angeles. Of applicant's five routes operated, three are divided into zones. All service within the City of Glendale is classified as inner zone operation.

The present and proposed fare structures of applicant are as follows:

<u>Adult Fares</u>	<u>Present</u>	<u>Proposed</u>
Inner zone - cash	7¢	10¢
- token	4 for 25¢	5 for 35¢
Between Glendale and Burbank or Atwater	10¢	15¢
Between Glendale and Lockheed	14¢ or 2 tokens	20¢
<u>School Children</u>		
<u>Where adult fare is:</u>	<u>40 ride school coupons</u>	
7¢	\$2.40	-
10¢	2.40	2.40

Applicant, through its auditor, presented testimony relative to the earning position of the Company, showing the estimated return under present fares and under the fare structure set forth in its application for the 12 month period ending February 29, 1949. A representative of the Commission's engineering staff likewise presented testimony relative to estimated earnings under present and proposed fares as well as under other fare structures for the same period. A comparison of the two presentations are shown in the following table:

	Applicants Exhibit No. 7		P.U.C. Staff Exhibit No. 10	
	Present Fare	Proposed Fare	Present Fare	Proposed Fare
<u>OPERATING REVENUE</u>				
Passenger	\$335,700	\$390,000	\$346,050	\$392,990
Other	20,600	20,600	20,500	20,500
Total	\$356,300	\$410,600	\$366,550	\$413,490
<u>OPERATING EXPENSES</u>				
Eq. Mtce. & Gar. Exp.	\$ 96,000	\$ 96,000	\$ 91,920	\$ 91,920
Transportation Exp.	189,200	189,200	187,680	187,680
Tr., Solic. & Adver. Exp.	2,750	2,750	2,160	2,160
Ins. & Safety Exp.	17,390	19,745	17,850	17,850
Admin. & Gen. Exp.	21,230	23,995	22,580	22,580
Depreciation Exp.	31,085	31,085	31,390	31,390
Operating Taxes	31,600	31,600	30,990	31,070
Total	\$389,305	\$394,375	\$384,570	\$384,650
Net Income before				
Income Taxes	<u>(\$ 48,305)</u>	\$ 16,225	<u>(\$ 18,020)</u>	\$ 28,810
Operating Ratio	109.0%	96.1%	104.9%	93.0%
Income Taxes	-	\$ 3,200	-	\$ 7,060
Net Income	<u>(\$ 48,305)</u>	\$ 13,025	<u>(\$ 18,020)</u>	\$ 21,760
Rate Base	\$244,360*	\$244,360*	\$222,300	\$222,800
Rate of return	-	5.83%	-	9.8%
Bus Miles to be operated	1,070,000	1,070,000	1,070,000	1,070,000

Red Figure ( )

\* From Exhibit No. 6

The Company and Commission's witness differ by \$12,615 in their estimates of net income before income taxes to be expected under the fares proposed by applicant. Applicant's estimate of revenue is \$2,890 less than

that of the Commission's witness. In the matter of expense applicant's estimate aggregates \$9,725 more than that presented by the Commission's staff. Applicant is one of a group of transportation utilities owned and operated by Pacific City Lines. This parent company provides management and takes care of the insurance and in turn is paid in fees based on a percentage of gross income. The Commission's witness contended that these fees should not be increased simply due to an increase in fare and allowed for no increase in his estimate. This accounts for \$4,800 of the difference in estimates of expense. The balance of the difference lies principally in amounts allowed for repairs of equipment.

In the matter of rate base, applicant's estimate is \$21,540 greater than the Commission's staff estimate of \$222,800. The differing components are shown following:

<u>Items</u>	<u>Applicant</u>	<u>P.U.C. staff.</u>	<u>Applicant exceeds P.U.C. staff</u>
Use value of fully depreciated equipment	\$ 11,000	\$8,080	\$ 2,920
Working cash capital	15,000	-	15,000
Depreciated value of property	171,230	168,925	2,305
Organization & Franchises	7,000	5,685	1,315
			<u>\$21,540</u>

Applicant contended that the use value of 11 buses fully depreciated on the books of the Company but still used and useful would amount to \$11,000. The Commission's staff estimated that these buses would remain in service for 18 months longer than the service life shown on the Company's books and on an age-life basis estimated the remaining value at \$8,080.

In regard to working cash capital, the Commission's staff introduced Exhibit No. 12, to show that under the conditions of revenue and expense estimated under the proposed fare structure it would be unnecessary for applicant to supply working cash in excess of that normally accruing in the course of its operations.

The difference in the item of organization and franchises results from differing methods of treatment. The original amount of this item was \$7,000 which is being amortized on the books of the Company, the present unamortized amount being as shown in the Commission's staff estimate.

The Commission's staff also presented for consideration a fare structure, differing from that proposed by applicant in that it proposed the allowable use of a token in inter-zone travel and the retention of the present school fares. It was estimated that this fare structure would result in a net income after deducting income taxes of \$16,790 corresponding to a rate of return of 75% or an operating ratio of 94.6%, before income taxes.

No opposition developed to oppose the granting of this application.

Based on the evidence adduced in this proceeding we find that:

1. Present fares will not produce sufficient revenue to pay operating expenses and allow a reasonable return on the depreciated value of the properties used and useful in these operations.
2. The estimates presented by the Commission's staff regarding revenues, expenses and rate base appear to be better justified by supporting evidence than is the case of the estimates presented by applicant, and therefore, should be given more weight.
3. The fare structure proposed by applicant would produce revenue in excess of that required for a reasonable return on the depreciated value of the properties used and useful in this operation.
4. Operations under the alternate fare structure suggested by the Commission's staff allowing the use of a token in inter-zone travel and the retention of present school fares would produce sufficient revenue to meet the necessary operating expenses and provide a reasonable return on the depreciated value of the property used and useful in this operation.
5. The fare structure authorized in the following order has been justified on this record.

ORDER

Public hearing having been had in the above entitled application and, based upon the evidence received and upon the conclusions and findings set forth in the preceding opinion,

IT IS HEREBY ORDERED that Glendale City Lines, Inc., is hereby authorized, after one (1) day's notice to this Commission and the public, to increase certain fares as follows:

- (a) Its present adult intra-zone fares from 7 cents cash or four (4)

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tokens for 25 cents to 10 cents cash or five (5)

tokens for 35 cents.

(b) Its inter-zone fares as follows:

Where present fare is now

10 cents

14 cents

Increased fare shall be

15 cents or 5 cents plus a token

20 cents or 10 cents plus a token

(c) All other fares, rules and regulations are to remain unchanged.

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall be void unless the changes in fares authorized in this order are published, filed and made effective within sixty (60) days from the effective date hereof.

IT IS HEREBY FURTHER ORDERED that, in all other respects the above entitled application be and it is hereby denied.

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

Dated at San Francisco, California, this 2nd day of

March, 1948.

R. T. Inman  
Justin J. Calver  
Dean H. Powell  
Harold Kula  
Herbert Foster

COMMISSIONERS