

Decision No. 42478

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
T. G. Harris and L. L. Kirchoff, a)
copartnership doing business as)
T. G. Harris and Company, for Relief)
under Section 11 of the Highway)
Carriers' Act from Minimum Rates)
presently effective for Transportation)
of Liquid Petroleum Products, viz.:)
Crude Oil by Tank Truck between Points)
in the State of California.)

ORIGINAL

Application No. 29896

Appearances

T. G. Harris and H. W. Swartout, for applicants.

H. E. Towers, for Bishop Oil Company, interested party.

C. P. Stevenson, for Union Oil Company of California, interested party.

O P I N I O N

T. G. Harris and L. L. Kirchoff, copartners, are engaged in the business of transporting crude oil and fuel oil in the vicinity of Santa Maria as a radial highway common carrier. They seek authority to assess, for transportation which they perform for the Bishop Oil Company, rates less than those which have heretofore been established as minima.

Public hearing of the application was had before Examiner Abernathy at San Luis Obispo on January 12, 1949.

Applicants state that the transportation service which is involved herein comprises about 50 per cent of their total operations. It consists of the transportation of crude oil in bulk in tank truck equipment from storage tanks of the Bishop Oil Company to an oil pumping station, a distance of about 4 miles.¹ T. G. Harris, one of

¹ The storage tanks are located on property designated as the Stendel and R. & G. Leases of the Bishop Oil Company in the East Cat Canyon Oilfield. The pumping station is known as the Bell Pumping Station of the Union Oil Company, and is located in the West Cat Canyon Oilfield.

the partners, testified that applicants own and operate two units of tank truck equipment which are utilized about two weeks a month in the service for the oil company; the remainder of the time the vehicles are used in transportation performed for other shippers. Facilities for loading and unloading oil of the Bishop Oil Company are available twenty-four hours a day, a fact which assertedly permits greater use of applicants' equipment than would be possible otherwise.

The minimum rate applicable to the transportation involved herein is 3.3 cents per 100 pounds.² Applicants seek authority to assess 8½ cents a barrel, a rate which is equivalent to 2.6 cents per 100 pounds.³ They say that they have been informed that unless the sought rate is authorized, the Bishop Oil Company will undertake to perform the service for its own account, thereby depriving them of the business. They assert that the proposed rate is reasonable for the transportation service, and will return the cost of the service plus a reasonable profit.

Applicants' accountant explained a revenue and expense statement which he had prepared to show operating results for a month's time under the present and proposed rates. According to the statement, gross revenues under the present minimum rate would

² Minimum rates applicable to the transportation of petroleum and petroleum products in tank truck equipment are those set forth in City Carriers' Tariff No. 5, Highway Carriers' Tariff No. 6 (Appendix "C" to Decision No. 32608, as amended, in Cases Nos. 4246 and 4434). As set forth in the tariff, the minimum rate of 3.3 cents per 100 pounds applies to the transportation of Black Oils (including crude oil) for distances not exceeding 10 constructive miles or between points within certain defined territories.

³ The estimated weight of crude oil, as set forth in City Carriers' Tariff No. 5, Highway Carriers' Tariff No. 6, is 7.75 pounds per gallon. It was stated that a barrel of oil contains 42 gallons.

aggregate \$1,557 and expenses would total \$973, resulting in net operating revenues of \$584 from the services. The accountant calculated that the sought rate would produce gross revenues of \$1,232 and that the net operating revenues would be \$259.⁴ At the public hearing the witness indicated that certain adjustments should be made in the figures to reflect more accurately the results of the service.⁵ Although he did not undertake to show the precise effect of the adjustments, it appears the adjusted revenues and expenses for a month's time would be approximately as follows:

	<u>Under the Minimum Rate</u>	<u>Under the Proposed Rate</u>
Gross Operating Revenues	\$1,557	\$1,232
Expenses	<u>1,094</u>	<u>1,084</u>
Net Operating Revenues	\$ 463	\$ 148

A witness for the Bishop Oil Company testified that it was his view that his company could perform the service for less than the rate which it pays applicants. He stated that he had made no detailed study of the costs of performing the service involved herein, but that his conclusions were based in part upon costs which have been experienced in operating a company-owned tank truck within a proximate area. He said that should his company engage in a proprietary transportation service, it could combine the service with other of

⁴ Equivalent operating ratios would be 62.5 per cent under the minimum rate and 79 per cent under the sought rate.

⁵ The accountant said his figures did not include allowance for the value of the services of T. G. Harris or for the value of the office space used in the business. Taxes had been understated due to an error in calculations. Tire expense was overstated because no allowance was made for increased service realized when the tires are re-capped. The accountant's expense figures included an item "Interest on Investment." It appears that this item should be excluded in the calculation of the operating expenses.

its operations and thereby would not necessarily incur the full amounts of some operating costs, such as supervisory expense, attributable to applicants' operations. He indicated that the proposed rate of 8½ cents a barrel, or its equivalent in cents per 100 pounds, would be satisfactory to his company.

No one opposed the granting of the application.

The evidence is convincing that the profits which applicants are able to earn from transporting crude oil for the Bishop Oil Company at the applicable minimum rate are substantial. The record shows that the revenues which may be reasonably expected from the proposed rate would be compensatory. Consideration being given to this fact, and to the probability that the service would be diverted to proprietary transportation should the sought rate not be authorized, it is concluded and the Commission finds as a fact, that the sought rate has been shown to be reasonable. The application will be granted. The rate which will be authorized will be stated in cents per 100 pounds in order that it may agree in form to the minimum rates which have been established for the transportation of petroleum in tank trucks. Due to the possibility that the conditions which justify the granting of this application may change at any time, the authority herein granted will be limited to a period of one year, unless further extended by appropriate order of the Commission.

O R D E R

The above-entitled application having been heard and submitted, full consideration of the matters and things involved having been had, and based upon the conclusions and finding in the preceding opinion,

IT IS HEREBY ORDERED that T. G. Harris and L. L. Kirchoff be and they are hereby authorized to transport crude oil in bulk in

tank truck equipment for the Bishop Oil Company from properties designated as that company's Stendel and R. & G. Leases in the East Cat Canyon Oilfield to the Bell Pumping Station of the Union Oil Company in the West Cat Canyon Oilfield at a rate less than the established minimum rate for such transportation, but not less than than 2.6 cents per 100 pounds.

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall expire one (1) year after the effective date of this order.

This order shall become effective twenty (20) days after the date hereof.

Dated at San Francisco, California, this 1st day of February, 1949.

B. J. Anderson
Justice J. Quisenberry
Harold L. Farnell
Harold K. Kild
Harold K. Kild
Commissioners