

Decision No. 42554

ORIGINAL

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

In the Matter of the Application of )  
 EVELYN M. KNAPP and JOHN P. DEMETER, )  
 copartners, doing business as PALO )                   Application No. 29797  
 ALTO CITY LINES, for authority to )  
 increase rates. )

Lorenz Costello, for applicant.

## O P I N I O N

By this application, Evelyn M. Knapp and John P. Demeter, copartners doing business as Palo Alto City Lines, seek authority to increase passenger fares. A public hearing was held before Examiner Bradshaw at Palo Alto.

Applicants operate as a "passenger stage corporation" in Palo Alto and contiguous territory. In addition to a cash fare of 10 cents a ride, applicants' tariff provides for 30- and 60-ride commutation tickets equivalent to 3-1/3 and 7½ cents a ride, respectively. School tickets available to grade and high school students at the rate of 5 cents per ride and to college students at the rate of 7 cents per ride are also in effect. Applicants desire to cancel the commutation fares and to increase the two forms of school tickets to the equivalent of 7½ cents a ride.

Applicants' manager presented testimony indicating that 1,439,162 passengers were carried during the 12 months ended September 30, 1948, as compared with 1,508,749 during the year 1946. He expressed the opinion that, while the volume of traffic might decrease in the future, the decline will not be as great as occurred during the last few years. The witness contended that

increased revenues are necessary to permit applicants to continue to render satisfactory service and to enable them to provide for future extensions to existing routes. It is claimed that applicants are faced with requests to extend some of their routes. In the opinion of the witness, applicants are conducting their operations in an efficient manner. Increases in wage scales and the cost of gasoline and insurance were also referred to.

A certified public accountant engaged to audit applicants' books presented evidence concerning the financial results of applicants' operations during the 12 months ended September 30, 1948. He also undertook to forecast the operating results for the 12 months ending September 30, 1949. A summarization of the data submitted by the witness appears in the following table:

	Income Account for 12 months ended Sept. 30, 1948	Income Account for 9 months ended Sept. 30, 1948	Forecast of Results 12 months ending Sept. 30, 1949	
			Present Rate Structure	Proposed Rate Structure
Revenue	\$154,508	\$113,050	\$152,618	\$158,655
Operating Expenses	<u>143,332</u>	<u>110,103</u>	<u>153,770</u>	<u>153,770</u>
Net Operating Income	\$ 11,176	\$ 2,955	\$ (1,152)	\$ 4,885
Other Income	<u>1,692</u>	<u>646</u>	<u>1,400</u>	<u>1,400</u>
Net Income before Income Taxes	\$ 12,868	\$ 3,601	\$ 248	\$ 6,285

( ) Denotes loss

An engineer in the employ of the Commission's transportation department presented a report in which he estimated the probable results of applicants' operations for the 12 months ending February 28, 1950, under the present and proposed fares. The engineer also made similar computations based upon an alternate fare structure

which contemplates the establishment of the proposed fares with the exception that no change be made in the present student fares. A summary of the witness' conclusions is set forth in the following table:

	<u>Present Fare Structure</u>	<u>Proposed Fare Structure</u>	<u>Alternate Fare Structure</u>
Revenues	\$150,711	\$155,627	\$155,195
Operating Expenses	<u>154,564</u>	<u>154,366</u>	<u>154,363</u>
Operating Income before Income Taxes	\$ (3,853)	\$ 1,261	832
Operating Ratio	102.56%	99.19%	99.46%
Income Taxes		\$ 69	
Net Income		1,192	832
Rate Base	29,500	29,500	29,500
Rate of Return		4.04%	2.82%

( ) Denotes loss

Applicants' accountant characterized the engineer's report as a very fair presentation, but asserted that the return under the alternate fare structure would be inadequate.

No one opposed the granting of the application.

Upon the facts presented, we are of the opinion that applicants require additional revenue and that they should be authorized to increase their passenger fares, as proposed in the application. In view of the slight margin of profit which the witnesses estimate will accrue from the proposed fares, we do not feel warranted in prescribing the alternate basis included in the Commission's engineer's study. The increases in fares herein authorized are hereby found to be justified.

O R D E R

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

## IT IS ORDERED:

(1) That Evelyn M. Knapp and John P. Demeter, copartners doing business as Palo Alto City Lines, be and they are hereby authorized to cancel their existing 30- and 60-ride commutation tickets and to increase presently published school tickets available to grade and high school and college students to  $7\frac{1}{2}$  cents per ride.

(2) That the changes in fares herein authorized may be established on not less than 5 days' notice to the Commission and the public.

(3) That applicants be and they are hereby directed to post a notice in a conspicuous place in each bus and ticket office for not less than 5 days before the changes in fares herein authorized become effective, stating the changes to be made in the fares and the date on which they will become effective.

(4) That the authority herein granted shall lapse unless the changes in fares authorized in this order are published, filed and become effective within 60 days <sup>after</sup> ~~from~~ the effective date hereof.

The effective date of this order shall be 20 days after the date hereof.

Dated at San Francisco, California, this 23<sup>rd</sup> day of February, 1949.

R. Z. Dinderman  
Justice F. Callahan  
Robert D. Puff  
Harold P. Kule  
Kenneth Satter  
 COMMISSIONERS