

ORIGINAL

Decision No. 42649

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 SAN DIEGO TRANSIT SYSTEM (formerly)
 SAN DIEGO ELECTRIC RAILWAY COMPANY)
 for certificate of public convenience)
 and necessity to operate for transpor-)
 tation of passengers for compensation,)
 within the City of San Diego and beyond)
 into certain unincorporated areas, and)
 for authority to substitute service by)
 motor bus for street railway service on)
 its street railway Lines 2, 7, and 11,)
 in said City, and for authority to abandon)
 service on certain streets in connection)
 with such substitution of service, and for)
 authority to amortize its undepreciated)
 investment in the street railway facili-)
 ties to be abandoned, and to amortize the)
 cost of dismantling and of paving over)
 of streets.)

Application
No. 29969

Lindley, Lazar, Johnson and Scales, by Fred E. Lindley, for applicant; Shelley J. Higgins, Assistant City Attorney, for City of San Diego, interested party.

O P I N I O N

San Diego Transit System now operates as a "street railroad corporation" and "passenger stage corporation" within the City of San Diego and between said city and points and places in San Diego County. By this application it seeks authority to abandon its street railway Lines 2, 7, and 11, and substitute therefor a bus service to be operated along approximately the same routes. It also requests authority to amortize dismantling costs and undepreciated investment applicable to the proposed rail service abandonment.

A public hearing was held at San Diego on March 3, 1949, at which time the matter was submitted for decision.

The evidence shows that bus Route 2 will replace streetcar Line 2. There is no material difference between the two routes except that the bus line will be extended from the Santa Fe Station to the intersection of Harbor Drive & Market Street. The proposed bus Route 7 will not vary from the present rail Line 7 except that it also will be extended from the Santa Fe Station to the Harbor Drive & Market Street intersection.

Bus Route 11 will vary from street railway Line 11 in that between the intersection of University Avenue & Park Boulevard, and the intersection of Broadway & 12th Avenue, the bus will operate along University Avenue, First Avenue and Broadway instead of along Park Boulevard where the streetcar line now operates. Heretofore, streetcar Lines 7 and 11 both operated along Park Boulevard between said intersections. The rerouting of Line 11 will enable the company to combine this line with the present B and K bus lines, thereby establishing a long north and south cross-town service which will not only eliminate two loop operations in the business section but will afford a better and more convenient service to a greater number of patrons. Bus Route 11 will also be extended a short distance, from its northern terminus to the intersection of Marlborough Avenue & Hilldale Road. A small loop at the present northern terminus of the "B" Line will also be eliminated.

This application was not opposed by any parties appearing at the hearing. Three letters were filed with the Commission indicating objections to the proposed plan. The objections were

substantially answered by the evidence presented by applicant in this proceeding.

Briefly, the evidence shows that a considerable investment would be required by applicant in order to rehabilitate and maintain the three streetcar lines proposed to be replaced; that bus operation is more convenient for the public and more economical for the company; that the proposed bus lines will meet the needs and convenience of the public and offer an improved service to patrons of the present rail lines; that curb service will be possible and there will be less traffic congestion; that the mobility and flexibility of the bus equipment will enable the company to more readily meet the public's transportation requirements and that emergency reroutings will also be possible.

Applicant is negotiating with the City of San Diego for the removal of tracks and overhead facilities. Applicant's president testified that no points of difference have arisen between the parties. The Imperial Avenue Car Shop will be remodeled and used as a repair shop for buses. Some rails and wires will be salvaged from this change. The car barn will be converted into a parking lot for buses and all materials possible will be salvaged.

Applicant proposes to convert these lines as equipment becomes available. Forty-five new 45-passenger GMC hydraulic-transmission, diesel-engine buses have been on order. Most of this equipment has been delivered. Applicant proposes no fare increase. Schedules will be as good as, or better than, the service in effect at the time of substitution.

As of December 31, 1948, applicant reports its investment in said rail properties at \$4,237,065.69 and the accrued depreciation at \$3,520,221.83, leaving a net book value of \$716,843.86. It estimates the cost of dismantling the rail properties at \$505,537 and their salvage value at \$500,000. Applicant proposes to transfer the \$716,843.86 to Account 419--Retirements, and accrue for amortizing that amount over a period of ten years, a sum each year equivalent to the amount that would be accrued for depreciation as though the facilities were still in use. At the end of the ten years, there would remain unamortized \$154,459.87. One-tenth of this amount it would add to each year's amortization from 1949 to 1958, both inclusive.

Applicant proposes to set up in a suspense account, as incurred, the cost of dismantling and incidental paving and the cost of disposition of rail facilities to be sold and/or abandoned, and credit to such suspense account the moneys realized from the sale of assets and their related salvage and thereafter, at the end of each calendar year, clear out the suspense account by debiting to Account 419 any excess of debits over credits or crediting to Account 419 any excess of credits over debits. If and when the said debits for dismantling exceed the credits, said excess is to be amortized over the time remaining in the ten-year period ending in 1958.

In our opinion the net book value of \$716,843.86 should be reduced by an amount equal to the reduction in applicant's ✓ income taxes because of its using the \$716,843.86 as a deductible item for that purpose. The remainder may be amortized over a period ending December 31, 1958, in the manner indicated in applicant's Exhibit "D" on file in this application.

The City Council of San Diego favors the substitution of motor bus service for street railway service on Lines 2, 7 and 11, subject to the conditions set forth in Resolution No. 92488, a copy of which is on file in this application as Exhibit "11". The City takes the position that applicant should not use its undepreciated investment in its rail properties and the cost of dismantling the same as a reason for an increase in rates, that no interest should be accrued on the unamortized investment in the rail properties, that no portion of the retirement costs or losses should be included in the rate base, and that the use of city streets at the terminals of the motor routes should be subject to the approval of the City Manager. In what amount, if at all, the net book investment of the abandoned street railway properties and the cost of their dismantling will be considered in a rate proceeding is not now before the Commission. The Commission reserves jurisdiction to determine hereafter to what extent, if at all, the annual amortization charges should be included in operating expenses for the purpose of fixing applicant's rates.

Upon full consideration of the record in this proceeding, we find the public convenience and necessity require that San Diego Transit System be authorized to:

- (a) abandon service upon street-railway Lines 2, 7, and 11;
- (b) establish a new motor-coach service on bus Routes 2, 7, and 11;
- (c) merge present bus Routes B and K with proposed bus Route 11;
- (d) reroute and extend portions of its proposed Routes 2, 7, and 11;
- (e) negotiate arrangements with the City of San Diego pertaining to the disposition of rails, track structures, and overhead

facilities along the street-railway routes proposed to be abandoned;

- (f) amortize dismantling costs and undepreciated investment as hereinbelow set forth.

O R D E R

A public hearing having been held in the above entitled proceeding, the matter having been duly submitted and the Commission having found that public convenience and necessity so require,

IT IS ORDERED:

(1) That a certificate of public convenience and necessity be, and it hereby is, granted to San Diego Transit System, a corporation, authorizing the establishment and operation of service as a passenger-stage corporation, as defined in Section 2 $\frac{1}{2}$ of the Public Utilities Act, for the transportation of passengers over, and serving all points within and adjacent to the City of San Diego, on and along the following routes:

Bus Route 2:

Beginning at the intersection of Adams Avenue and 30th Street; thence along 30th Street, Upas Street, 30th Street, Fern Street, Ivy Street, 30th Street, Beech Street, 28th Street, B Street, 25th Street, Broadway and Harbor Drive to Market Street.

Bus Route 7:

Beginning at the intersection of University Avenue and Euclid Avenue; thence along University Avenue, Park Boulevard, 12th Avenue, Broadway and Harbor Drive to Market Street.

Bus Route 11:

Beginning at the intersection of Marlborough Drive and Hilldale Road; thence along Marlborough Drive, Adams Avenue, Park Boulevard, University Avenue, First Avenue, Broadway, 16th Street, Logan Avenue, 26th Street, National Avenue, South 43rd Street (formerly Highland Avenue), Logan Avenue, Olvera Avenue and Las Flores Terrace to Miraflores Drive.

Also, beginning at the intersection of 32nd Street and National Avenue; thence south along 32nd Street to McCandless Boulevard.

Applicant is authorized to turn its motor vehicles at termini and intermediate points, in either direction, at intersections of streets or by operating around a block contiguous to such intersection, or in accordance with local traffic rules.

(2) That in providing service pursuant to the certificate herein granted, there shall be compliance with the following service regulations:

- (a) Applicant shall file a written acceptance of the certificate herein granted within a period of not to exceed thirty (30) days from the effective date hereof.
- (b) Applicant shall, within sixty (60) days from the effective date hereof and upon not less than five (5) days' notice to the Commission and the public, establish the service herein authorized and comply with the provisions of General Order No. 79 and Part IV of General Order No. 93-A, by filing, in triplicate, and concurrently making effective, tariffs and time schedules satisfactory to the Commission.

(3) That applicant's present Routes B and K shall be consolidated and operated as part of Route 11 hereinabove described and that all certificates heretofore granted to applicant wherein Routes B and K are described are hereby amended by eliminating and striking therefrom any and all descriptions of said Routes B and K.

(4) That San Diego Transit System be, and it hereby is, authorized to abandon and discontinue street-rail operations over and along the routes described in Amended Exhibit A attached to the Amended Application No. 29969, and to abandon, remove, or otherwise dispose of all rails, track structures, and overhead facilities over and along the routes or streets described in said

Amended Exhibit A, and to enter into any necessary agreements with the City of San Diego concerning the disposition of said rails, track structures, and overhead facilities.

(5) That the authority for abandonments as herein granted shall be exercised only coincidentally with the establishment of substitute services as authorized herein.

(6) That San Diego Transit System may charge to Account 419--Retirements, its undepreciated investment in the street railway properties and facilities referred to in this order, such amount, however, to be reduced by an amount equal to the reduction in applicant's income taxes because of the abandonment and discontinuance of its street railway operations. Applicant may amortize on or before December 31, 1958, the balance of said undepreciated investment in the manner indicated in applicant's Exhibit "D" on file in this application by charges to Account 28.2--Retirements-Way and Structures. The cost of dismantling said rail properties and facilities, and any moneys realized from the sale of any of said properties, shall be accounted for as indicated in the foregoing opinion. The authority granted by this paragraph of the order is subject to the condition that the Commission reserves jurisdiction to determine in subsequent rate proceedings to what extent, if at all, the annual amortization charges should be included in applicant's operating expenses for the purpose of fixing rates.

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

Dated at San Francisco, California, this 29th day
of March, 1949.

E. B. D... ..
Justus F. Casper
Walter P. ...
Harold K. ...
Commissioners.