

ORIGINAL

Decision No. 47602

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)	
Willis M. Kleinenbroich, an individual)	
d.b.a. Modesto-Riverbank-Oakdale Stage)	
Line to increase rates and fares for)	Application No. 33263
the transportation of passengers and)	
property between Modesto, Riverbank and)	
Oakdale, Stanislaus County, California.)	

Appearances

Willis M. Kleinenbroich, in propria persona.
 Fred W. Lawrence, for City of Modesto,
 interested party.
 O. B. Liersch, for Engineering Division,
 Transportation Department, Public
 Utilities Commission of the State of
 California.

O P I N I O N

Applicant operates as a passenger stage corporation. He is engaged in the transportation of passengers and of shipments of express between Modesto and Riverbank, Oakdale and intermediate points.¹ By this application, as amended, he seeks authority to increase certain of his passenger fares and express rates.

Public hearing of the application was held at Modesto before Commissioner Mitchell and Examiner Jacopi. Evidence was introduced by applicant and by a transportation engineer of the Commission's staff. Representatives of the City of Modesto and of the Commission's staff participated in the development of the record through examination of the witnesses.

The present one-way fares between the various points served by applicant range from 10 cents for the short hauls to

¹ The distance from Modesto to Oakdale via Riverbank is 15.6 miles, the greatest distance between any two points served.

35 cents for the longest movement. The corresponding increased one-way fares sought range from 15 cents to 50 cents. The round-trip fares would be on the level of 180 percent of the new one-way fares.² No increase is sought in the present school commutation fares. For the transportation of express shipments, the existing rate of 50 cents per 100 pounds, minimum charge 25 cents, would be advanced to \$1.00 per 100 pounds, minimum charge 50 cents.³

According to the testimony of the applicant, the present rates have not been increased since he commenced operations in the year 1932. Assertedly, the revenue under the present rate structure is insufficient to cover the cost of operation as a result of steady advances experienced in operating expenses. The record shows that applicant sustained a loss of \$2,645 in conducting the operations in the year 1951 under the present rates.⁴ The applicant pointed out that a further advance in the cost of operation has resulted from a 10-percent increase in wages granted to the bus drivers effective July 1, 1952. The increased rates sought are expected to provide additional revenue of \$4,100 per year.

Studies of the estimated financial results of operation anticipated for the future 12-month test period ending June 30, 1953, under the present and the proposed rates were presented by the applicant and by a transportation engineer of the Commission's staff. In their calculations, both of the witnesses gave effect to

² The present round-trip fares are constructed on the basis of 180 percent of the existing one-way fares.

³ Applicant's operative rights provide for the transportation on passenger vehicles of shipments of express weighing not more than 100 pounds each.

⁴ Applicant's figures have been adjusted by eliminating interest charges from the operating expenses as submitted.

the downward trend of traffic, to the wage adjustment and to known increases in other operating expenses. According to the applicant's figures, losses would be experienced in the period in question under either the present or the proposed rates. The engineer's study shows that a loss would be sustained if the service were continued under the rates now in effect and that the proposed rates would produce revenue amounting to slightly more than the operating expenses. The estimated future results of operation as calculated by the witnesses are summarized in the tabulation that follows:

Estimated Revenues and Operating Expenses for
the Future 12-Month Period Ending June 30, 1953,
Under the Present and Proposed Rates

	<u>Present Rates</u>		<u>Proposed Rates</u>	
	<u>Applicant</u>	<u>Commission Engineer</u>	<u>Applicant</u>	<u>Commission Engineer</u>
Revenues	\$17,751	\$17,600	\$21,249	\$21,700
Operating Expenses:				
Maintenance	\$ 4,092	\$ 3,830	\$ 4,092	\$ 3,830
Transportation	10,140	10,235	10,140	10,235
Station & Terminal	450	850	450	450
Traffic	100	100	100	100
Insurance & Safety	775	740	755	740
Administrative and General	2,540	2,590	2,540	2,590
Depreciation	1,650	1,068	1,650	1,068
Taxes and Licenses	1,856	1,792	1,856	1,917
Operating Rents	<u>340</u>	<u>380</u>	<u>340</u>	<u>380</u>
Total Operating Expenses	\$21,923	\$21,085	\$21,923	\$21,310
Net Operating Revenues Before Income Taxes (1)	(<u>\$4,172</u>)	(<u>\$3,485</u>)	(<u>\$ 574</u>)	\$ 390
Operating Ratio Before Income Taxes (1)	123.5%	119.8%	103.2%	98.2%
Bus Miles	66,000	66,000	66,000	66,000

() - Indicates Loss

(1) - The income tax figures were not supplied. The operations are conducted by applicant as an individual. The income taxes which would apply would be affected by the personal exemptions and other allowances available to applicant as an individual.

The differences in the estimates of the witnesses are small. The principal variations are in the calculations of revenues and of depreciation expense. The differences in the revenue figures resulted from divergent views relative to the rate of the downward trend of traffic and to the amount of traffic deflection expected to result if the increased fares were established. The staff engineer's revenue estimates were based upon more detailed analysis of riding trends and were better supported than those submitted by applicant.

For depreciation expense on revenue equipment, applicant allowed \$1,650 per year. The engineer used a figure of \$1,068. The record shows that applicant's vehicles are depreciated down to only 4.6 percent of the original book cost. In his calculations, the staff engineer included depreciation charges only for operating property that was not fully depreciated on applicant's books. On the other hand, applicant departed from the book basis and calculated the depreciation as though the vehicles now were depreciated to the level of 50 percent of the book cost. He stated that the 50-percent basis represented what he characterized as a normal operating condition. The method used by applicant involves the taking of depreciation on equipment which has been fully depreciated. The Commission repeatedly has said in similar situations that further depreciation on fully depreciated operating properties would not be allowed as an operating expense. This rule will be followed in this proceeding.

Other differences in the calculations of the operating expenses for the test year are attributable to the fact that applicant failed to provide for the increase in gross revenue tax.

resulting from the higher rates sought and to the fact that he based his figures on the book records for the year 1951 whereas the staff engineer used the records for the later 12-month period ended March 31, 1952. The total operating expenses for the latter period were lower than those for 1951 and afforded a more representative guide for determining the effect of changed conditions as reflected by the current operations.

In developing the anticipated cost of repairs to equipment and of tires and tubes in the test year, both of the witnesses allowed amounts that were greater than those shown in the books for the aforesaid base periods used. The propriety of the increased amounts was questioned by a representative of the City of Modesto. It developed, however, that the applicant personally performs most of the repair work on the revenue equipment and that no charge was made in the books for these services. The applicant stated that he had provided for his work in the test year by calculating the repair costs at the rate of 5.0 cents per bus mile, a judgment figure. He did not, however, substantiate this basis. The staff engineer considered the available records and developed annual repair costs, including applicant's work, that were equal to 4.5 cents per bus mile. This basis produces a result that appears to be reasonable on this record.

In regard to the cost of tires and tubes, the evidence shows that applicant purchases these articles outright because the annual number of bus miles operated is insufficient to obtain them on a mileage basis under a lease contract. The tires are recapped as needed until it becomes necessary to replace them. Thus, the book records for one year, for example, reflect the substantial

expenditures involved in obtaining new tires and tubes and for the next year, only the materially lower costs involved in recapping and repairs. In calculating the annual cost of tires and tubes, the witnesses endeavored to determine the estimated average annual cost for the aforesaid varying conditions in connection with the establishment of rates for the future. On this record, the average cost so developed is reasonable for applicant's operations.

In view of the circumstances hereinabove shown, the staff engineer's estimates of the operating results for the test year under the present and proposed rates will be used for the purpose of this proceeding.

There is no doubt on this record that the revenues under the present rate structure are insufficient to cover the cost of performing the service and that continuance of the operations under the present rates would result only in further losses. It is clear that unless applicant is able to develop additional revenue his ability to continue to render adequate and efficient service to the public will be jeopardized. The sought rates would provide only a small margin between the annual revenues and operating expenses amounting to \$390 before provision for income taxes. The corresponding operating ratio would be 98.2 percent. The increased rates sought are needed to sustain the operations.

Upon consideration of all of the facts and circumstances of record, the Commission is of the opinion and hereby finds that the increases in passenger fares and express rates proposed in this proceeding have been justified. They will be authorized. Applicant requested that he be authorized to establish the increased fares

and rates on less than statutory notice. In view of the evident need for additional revenue, the requested authority will be granted. The operating results set forth above are predicated on the cost of providing the present schedules. In the circumstances, applicant will be directed not to make any reduction in the present service without the express approval of the Commission.

O R D E R

Based on the evidence of record and upon the conclusions and findings set forth in the preceding opinion,

IT IS HEREBY ORDERED that Willis M. Kleinenbroich, an individual doing business as Modesto-Riverbank-Oakdale Stage Line, be and he is hereby authorized to establish, on not less than five (5) days' notice to the Commission and to the public, the increased passenger fares and express rates as proposed in the application, as amended, filed in this proceeding.

IT IS HEREBY FURTHER ORDERED that applicant be and he is hereby directed to post and maintain in his vehicles and depots a notice of the increased fares and rates herein authorized. Such notice shall be given not less than five (5) days prior to the effective date of such fares and rates and shall be maintained for a period of not less than thirty (30) days.

IT IS HEREBY FURTHER ORDERED that applicant shall not reduce or curtail any of his schedules or services as provided during the period June 15 to 21, 1952, inclusive, without the express approval of this Commission.

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall expire unless exercised within sixty (60) days 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 19th day of August, 1952.

A. J. Anderson
President

Martha F. Criswell

Harold A. Kula

John E. Mitchell

Commissioners

Commissioner Kenneth Potter, being necessarily absent, did not participate in the disposition of this proceeding.