

Decision No. 50768**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)
 PENINSULA TRANSIT LINES, for authority)
 to increase rates.)

Application No. 35688

Lorenz Costello, for applicant.
Chester W. Lebsack, for the City of Redwood City;
Mrs. Doris E. Patterson, in propria persona, protestants.
Robert E. Michalski, for the City of Palo Alto,
 interested party.
Mary Moran Pajalich and Charles R. Sexton, for the
 Commission staff.

O P I N I O N

By their application filed August 10, 1954, applicants Evelyn M. Knapp and John P. Demeter, doing business as Peninsula Transit Lines and presently rendering a passenger service between Palo Alto, Menlo Park, Redwood City, Atherton, San Carlos and certain areas west of Redwood City, request authority to increase substantially all of their fares.

Public hearing was held on October 7, 1954, at Palo Alto before Examiner T. E. Daly and the matter was submitted. Evidence was introduced by applicants and by the Commission staff. Notices of the public hearing in this proceeding were published in newspapers of general circulation.

PROPOSED FARE INCREASE

Applicants request authority to increase fares as follows:

	<u>Present Fare</u>	<u>Proposed Fare</u>
Adult cash fare	17¢	20¢
Adult ticket	15¢ (20/\$3.00)	17½¢ (20/\$3.50)
School ticket	7½¢ (20/\$1.50)	10¢ (20/\$2.00)
(Redwood City Division Children's half fare)	9¢	10¢

The children's half-fare has previously applied to the Redwood City Division only. The proposed fare would provide a system-wide children's fare, thus permitting children in Palo Alto to ride at 10 cents rather than the present fare of 17 cents.

Applicants assert that they have suffered decreases in patronage and in passenger fare revenues notwithstanding the inauguration of various advertising and promotional means of inducing greater patronage. They further assert that in the face of the decreased patronage service has been reduced as much as possible on several routes.

Applicants and the Commission staff introduced in evidence exhibits consisting of anticipated revenues and expenses covering a specified test period under both present and proposed fares.

Exhibits 1 and 2 introduced by applicants and the Commission staff respectively disclose the following estimated results under present and proposed fare structures for the 12-month period ending November 30, 1955:

ITEM	Applicant's		Commission	
	Present	Proposed	Present	Proposed
	Fare	Fare	Fare	Fare
Total operating revenue	\$259,147	\$288,076	\$261,809	\$285,468
Total operating expenses	285,671 ^(a)	286,846 ^(a)	275,747	276,727
Operating income	(26,524)	1,230	(13,938)	8,741
After Income Taxes	-	Not given	-	6,803
Operating Ratio (After income taxes)	110.2%	99.5% ^(b)	105.32	97.62%
Rate Base	28,683	28,683	68,392	68,392
Rate of Return	-	4.29%	-	9.95%

() - denotes a red figure

(a) Includes \$9,000 operating rents, said amount not in Commission's figures.

(b) Before income taxes. Applicants made no income tax computation.

Applicants were more pessimistic than the staff in their consideration of downward trend and more optimistic with respect to diminution due to proposed fare increases. In the final analysis, however, the estimated total revenues of applicants and of the Commission staff are substantially the same.

Because applicants also operate a taxicab service in conjunction with the bus operation, a problem was presented relating to the allocation of certain expenses. Applicants believe that the allocation should be based upon such factors as seating capacity of buses to taxis, storage space required for buses as against taxis, cost of buses as against taxis and cost of parts and maintenance for buses as against taxis. Based upon these factors the allocation to buses would be approximately 87 per cent and that to taxis approximately 13 per cent. The staff based its allocation of 67.8 per cent to buses and 32.2 per cent to taxis upon a consideration of the relative relationship of total operating revenues, certain direct expenses and the number of vehicles. The basis of allocation computed by the staff appears to be more reasonable and will be adopted.

The major difference in the rate base employed by applicants and the staff results from the fact that certain jointly used land and buildings which are owned by applicants is treated by them as leased. The staff considered such property as owned and included it in the rate base after application of the above 67.8 per cent factor. This treatment is believed proper under the circumstances here involved.

Upon cross-examination it was disclosed that applicants included an item of \$12,000 for materials and supplies which had previously been charged as an expense. Applicants charge materials and supplies to various expense accounts as purchased and not as

used. For such reason the Commission's staff properly made no allowance for materials and supplies in its rate base.

The cities made no affirmative showing. A resident of the City of Redwood City based her protest upon general dissatisfaction with the extent and nature of the existing service.

The record made in this proceeding establishes that the revenue under the present fares is insufficient to defray the cost of operation. It is clear that the additional revenue from the proposed fares is needed to assure the maintenance of satisfactory and dependable service to the public.

Upon consideration of the facts, the Commission is of the opinion and hereby finds that the increased fares sought have been justified and that present rates and charges, in so far as they differ from those herein authorized, for the future are unjust and unreasonable. We find that the return which will result from such increased fares is reasonable.

- ORDER

Application having been filed, public hearing having been held thereon and based upon the evidence adduced therein,

IT IS ORDERED:

(1) That Evelyn M. Knapp and John P. Demeter, doing business as Peninsula Transit Lines, are hereby authorized to establish, on not less than five days' notice to the Commission and to the public, the increased fares proposed in this proceeding.

(2) That applicants are hereby directed to post and maintain in their vehicles a notice of the increased fares herein authorized. Such notice shall be given not less than five days prior to the effective date of such fares, and shall be maintained for a period of not less than thirty days.

(3) That the authority herein granted in paragraph (1) shall expire unless exercised within sixty days after the effective date of this order.

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

Dated at San Francisco, California; this 16th day of November, 1954.

Robert E. Mitchell
PRESIDENT

Justus J. Caswell

Deane Higgins

Raylo L. Williams

COMMISSIONERS

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