

ORIGINAL

58692

Decision No. _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
SAN BERNARDINO VALLEY TRANSIT COMPANY,
a corporation, to change its zone
structure and thereby increase fares
(Section 454 of the Public Utilities
Code).

Application No. 40896

Alden Reid, for applicant.
Edward G. Fraser, for the Commission staff.

O P I N I O N

San Bernardino Valley Transit Company, a corporation, hereinafter referred to as applicant, renders services as a passenger stage corporation over eight routes in and around the City of San Bernardino, California. The adult cash fare is 15 cents for one zone plus 5 cents for each additional zone. By this application applicant seeks to reduce the length of its zones, thereby increasing its revenues. No other changes are proposed.

A public hearing on the application was held in San Bernardino on May 27, 1959, before Examiner Kent C. Rogers. Prior to the hearing, notice thereof was posted and published as required by this Commission. One written protest was received but disallowed on objection by the applicant.

By the proposal herein, stated fares will remain the same, but the length of most zones on the various routes will be shortened (see pages 6 and 7, Exhibit No. 5).

The Commission's staff has estimated the number of passengers and revenue for the year ending April 30, 1960, at present and proposed zones, to be as follows:

| | <u>Passengers</u> | <u>Revenue</u> |
|----------------|-------------------|----------------|
| Present zones | 2,287,960 | \$331,810 |
| Proposed zones | 2,261,230 | 350,620 |

In addition to the passenger and revenue estimates, the staff made an analysis of operating expenses and summarized estimated results of operation under present and proposed zones. Applicant filed estimates of revenues and expenses under present and proposed zones (Exhibit No. 4). A comparison of the estimated results of operation follows:

Estimated for Year Ending
April 30, 1960

| Item | Present Zones | | Proposed Zones | |
|-------------------------|----------------|-----------------|----------------|----------------|
| | Applicant | PUC Staff | Applicant | PUC Staff |
| Operating Revenues | \$344,300 | \$340,670 | \$359,750 | \$359,480 |
| Operating Expenses | <u>353,854</u> | <u>351,450</u> | <u>354,724</u> | <u>351,610</u> |
| Net Before Income Taxes | <u>(9,554)</u> | <u>(10,780)</u> | 5,026 | 7,870 |
| Income Taxes | - | 25 | 1,522 | 2,210 |
| Net Income | <u>(9,554)</u> | <u>(10,805)</u> | 3,504 | 5,660 |
| Operating Ratio % | 102.8 | 103.2 | 98.6 | 98.4 |
| Rate Base | \$ 85,850 | \$ 56,000 | \$ 85,850 | \$ 56,000 |
| Rate of Return % | - | - | 4.1 | 10.1 |

(Red Figure)

As can be seen from the above, the principal difference in the estimates is in the rate base. The applicant included \$28,376 as the value of the company's good will. This factor, of course, is not allowed by the Commission.

The 10.1 percent rate of return for the future appears high. However, applicant has 38 motor coaches of which 19 are

100 percent depreciated but still allegedly in excellent condition and being used daily. The majority of the other buses are substantially depreciated to the point that equipment which cost applicant \$268,242 has accrued depreciation of \$236,344 (pages 13 and 14, Exhibit No. 5). Under these conditions the operating ratios are more realistic indices of the results of applicant's operations. The staff estimated that at proposed zones there will be a 98.4 percent operating ratio and the applicant estimated a 98.6 percent operating ratio. Both estimates show that applicant is entitled to the increased revenue from the zone changes applied for.

The staff checked the service and equipment of the applicant. It concluded that applicant is providing a convenient and adequate service.

The Commission having fully considered the application, is of the opinion and finds that the proposed zones and the fare increases resulting therefrom are justified and that they will produce an opportunity to earn a reasonable rate of return.

The applicant requests that the authority granted be made effective within less than 20 days. Inasmuch as applicant's records reflect a loss (including depreciation expense of \$7,100) of \$5,872 for the 12 months ending April 30, 1959, the order herein will become effective five days after the date hereof.

O R D E R

Application having been made, the Commission being fully advised in the premises and having found that the zone changes as hereinafter set forth are just and reasonable and are justified,

IT IS ORDERED:

(1) That San Bernardino Valley Transit Company, a corporation, be and it hereby is authorized to establish on not less than five

days' notice to the Commission and to the public, the fare zones as requested in the application herein.

(2) That, in addition to the required tariff filings, applicant be and it hereby is directed to post and maintain in its vehicles a notice of the changes in zones and resulting fare increases herein authorized. Such notice shall be given not less than five days prior to the effective date of such fares, and shall remain posted continuously for a period of not less than thirty days.

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

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

Dated at San Francisco, California, this 29th day of June, 1959.

[Signature]
President

[Signature]

[Signature]

[Signature]

[Signature]
Commissioners