

Decision No. 59290**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
of ANGELS' FLIGHT RAILWAY COMPANY,
a California corporation, for
authority to increase passenger
fares. }

Application No. 41372

L. B. Moreland, for applicant.
Mr. and Mrs. W. Connell and G. Driessen, protestants.
T. M. Chubb, Chief Engineer and General Manager,
Department of Public Utilities and Transportation
of the City of Los Angeles, by Jack O. Sanders,
Public Utilities Engineer, interested party.
Glenn E. Newton, for the Public Utilities Commission's
staff.

O P I N I O N

In this application, filed on August 4, 1959, Angels' Flight Railway Company, a California corporation, seeks an increase in its fare structure as follows:

<u>Type of Fare</u>	<u>Present</u>	<u>Proposed</u>
Single-Ride Cash Fare	5 cents	5 cents
Ticket Fare - 3 Rides for 10 cents	3-1/3 cents each	3-1/3 cents each
Commutation Book	30 Rides for 50 cents 1.67¢ each	40 Rides for \$1.00 2.5¢ each

A public hearing on the application was held before Examiner Kent C. Rogers in Los Angeles on October 14, 1959. Prior to the hearing, notice thereof was published and posted as required by this Commission.

The applicant operates an inclined cable way between Hill and Olive Streets in Los Angeles, California, a distance of one block. The applicant and the staff both allege and show that applicant is operating at a loss and will operate at a loss in the future if a rate increase is not granted. The applicant and the staff each estimated the results of operation at the proposed fares. A comparison of these estimates is set out below:

Estimated Results of Operation
At Proposed Fares

<u>Item</u>	<u>Applicant</u> <u>12 Months Ending</u> <u>June 30, 1960</u>	<u>Staff</u> <u>12 Months Ending</u> <u>Sept. 30, 1960</u>
Revenues	\$41,826	\$40,070
Operating Expenses	<u>40,937</u>	<u>37,410</u>
Net Before Income Taxes	889	2,660
Income Taxes	<u>292</u>	<u>870</u>
Net Income	597	1,790
Operating Ratio	98.6%	95.5%
Rate Base	\$14,742	\$ 6,580
Rate of Return	4.0%	27.2%

There are substantial differences in the estimates of the expenses and the rate bases.

Applicant based its expense estimates on book records of expense for the year ending December 31, 1958, adjusted for known changes in certain of the accounts. Accounts involving labor have been adjusted to provide for wage increases effective July 1, 1959. Four operators' wages were increased \$20 per month each, three from \$275 to \$295 per month, and one from \$295 to \$315 per month. Applicant's rate base is a balance sheet figure as of December 31, 1958, plus materials and supplies and prepaid insurance. Materials and supplies, in the amount of \$3,000, have been paid out of the rates

and hence are not proper items to include in the rate base. The prepaid insurance varies and it is not the policy of the Commission to include it in the rate base. In October 1959 applicant installed gates to prevent passengers from boarding the cars while they are in motion. These cost \$1,500 and have been included in the rate base with accompanying depreciation expense added to operating expenses.

The staff estimate of operating expenses also includes the recent increase in operators' wages and all other expense items of fixed character based on current cost levels. Since certain of the expenses on this property are incurred periodically or infrequently, and may not be reflected within a short period of time (six months), the staff reviewed operating expenses for the past three years and based its estimates of several accounts, such as maintenance of way, on the average of the three years, adjusted for known increases in costs. Officers' and office employees' salaries were reduced from \$10,056 to \$7,100, which appears reasonable in view of the time the officials need to devote to operations.

The staff estimate of rate base represents the average of the depreciable property for the year ending September 30, 1960, plus the cost of turnstiles installed in October, 1959, less the prepaid insurance and materials and supplies included by applicant.

Under the proposed fares applicant has estimated a net annual earning of \$597, with an operating ratio of 98.6% and a rate of return of 4%. The staff estimate under proposed fares results in a net annual earning of \$1,790, with an operating ratio of 95.5% and a rate of return of 27.2% on a rate base that is approximately 80% depreciated.

Upon the evidence herein, the Commission is of the opinion and finds that the fare increase proposed by the applicant is justified and that the present fares, in so far as they differ from those prescribed herein, are for the future unjust and unreasonable. A fare increase will be authorized as hereinafter set forth.

Certain residents of the City of Los Angeles who use the applicant's services appeared in opposition to the application. Two of these, a husband and wife, argued that applicant was entitled to an increase but urged that the increase should be paid only by persons residing at a distance who park their cars and then use the applicant's cars to go to and from the top of the hill. This cannot be done as it would constitute a preference, in the first place, and would cause a situation impossible to control, in the second place. Another complainant stated that if the fares were increased there would be a loss of patronage which would cause another request for an increase and a further loss of revenue. In view of the fact that applicant is operating at a loss, a fare increase is proper.

O R D E R

Application having been made, the Commission being fully advised in the premises and having found that the increase herein authorized is justified,

IT IS HEREBY ORDERED:

1. That Angels' Flight Railway Company be, and it hereby is, authorized to establish, on not less than five days' notice to the

Commission and the public, a 40-ride commutation ticket for \$1.00, in lieu of the present commutation book of 30 rides for 50 cents.

2. That, in addition to the required filing of tariffs, applicant shall give notice to the public by posting in its cars and terminals a statement of the charges herein authorized. The notices shall be posted at least five days prior to the effective date of the changes, and shall remain posted for at least ten days after said changes are effected.

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 twenty days from the date hereof.

Dated at San Francisco, California, this 24th day of November, 1959.

Ernest B. Rogers
President
W. L. G. G. G.
W. L. G. G. G.
E. L. G. G.
Theodore H. G. G.
Commissioners