

**ORIGINAL**

Decision No. 59730

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of RELIABLE TRANSPORTATION COMPANY, a corporation, to depart from a minimum rate order.

Application No. 41441

John C. Allen, for Reliable Transportation Company, applicant.

Arlo D. Poe, J. C. Kaspar and James Quintrall, for California Trucking Associations, Inc., interested party.

Ralph Hubbard, for California Farm Bureau Federation, interested party.

B. F. Maddux, for Kaiser Steel Corporation, interested party.

R. T. Hunt, for Richfield Oil Corporation, interested party.

Robert G. Walters, for Coro Foundation, interested party.

R. A. Lubich and C. B. Blaubach, for the Commission's staff.

O P I N I O N

Applicant, a California corporation, is engaged in the business of transporting, as a common carrier, bulk petroleum products, chemicals and certain other commodities by tank truck equipment between points in California, Arizona, Nevada and New Mexico. By this application, filed August 26, 1959, and amended December 7, 1959, it seeks authority to establish and publish a rate of 10½ cents per 100 pounds for the transportation of residual fuel oil from the refinery of the Richfield Oil Corporation at

Watson, California, to the mills of the Kaiser Steel Corporation near Fontana. This rate is 1 cent per 100 pounds less than the rate which applies as minimum for the transportation pursuant to minimum rate orders of the Commission.

Public hearing on the application was held before Examiner C. S. Abernathy at Los Angeles on October 28, 1959. Evidence was presented by witnesses for applicant, for the Richfield Oil Corporation, and for the Kaiser Steel Corporation. A representative of the California Trucking Associations, Inc., and members of the Commission's staff also participated in the hearing. The matter was taken under submission on December 7, 1959, with the filing of the amendment mentioned above.

The record shows that applicant has been transporting fuel oil from the Richfield Oil Corporation, Watson, to the Kaiser Steel Corporation, Fontana, for many years. At present the volume ranges from 35,000 gallons per month during the summer months to about 50,000 gallons a month during the winter months. In vehicle loads of approximately 6,100 gallons per load, these quantities are the equivalent of 240 to 344 loads per year, respectively.

By establishment of the rate of 10½ cents per 100 pounds for this traffic applicant seeks to avoid a loss of the traffic to other means of transportation. It appears that as a consequence of increases which have been made in the minimum rates, the present rate results in greater transportation charges than the traffic will bear, and that as a consequence applicant has been informed that the Richfield Oil Corporation is considering the use of facilities of its own to perform the transportation unless a reduction in the present rate can be effected.

Applicant alleges that the establishment of the sought rate is justified by particularly favorable transportation conditions. Loading facilities at the Richfield refinery, and unloading facilities at the Kaiser mills are available to applicant 24 hours a day, 7 days a week. This fact, plus the substantial volume involved, permits applicant to operate on a continuous basis, and thereby to attain a reduction in operating costs resulting from maximum usage of its equipment. Little supervision of the transportation is necessary. Also, applicant is not required to maintain a rigid schedule; ample storage facilities at the Kaiser mills enable it to adjust its schedules to its own operating convenience. The servicing and maintenance of the vehicles can be performed economically, inasmuch as applicant's terminal is located near the route of movement, and the vehicles can be brought to, and dispatched from, the terminal with a minimum loss of productive time. The route of movement is almost wholly along freeways, a circumstance which permits expeditious performance of the transportation.

Applicant submitted figures to show that on its fuel oil transportation to Kaiser during the three-month period through June, 1959, the present rate of  $11\frac{1}{2}$  cents per 100 pounds would have produced earnings as indicated by an operating ratio of 83.1 percent.<sup>1</sup> With adjustments in this figure to reflect current expense

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<sup>1</sup> Applicant reported an operating ratio of 84.26 percent instead of 83.1 percent as shown above. Applicant's figure was calculated after allowance for interest expense, a non-operating expense.

levels, applicant calculated that had the sought rates been in effect throughout the period, its earnings would have been those as indicated by an operating ratio of 91.45 percent.<sup>2</sup> Assertedly the latter level of earnings is sufficient and reasonable for the services involved.

No one appeared in opposition to the granting of the application. However, the representative of the California Trucking Associations, Inc., urged that if the sought rate is authorized, it be restricted to the transportation in issue herein in order to avoid possible collateral deterioration of the minimum rate structure governing the transportation of bulk petroleum products.

Establishment of the reduced rate which applicant seeks in this matter should be authorized. The evidence is clear that the rate which applicant is assessing at present for the transportation involved results in charges which are substantially in excess of the costs of the services performed. As a consequence it appears that applicant has reasonable cause to conclude that it must accede to requests of Richfield Oil Corporation for the establishment of a lower rate if it is to retain the traffic. It further appears that the rate reduction which applicant proposes is reasonable, and that

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<sup>2</sup> In the development of the ratio of 91.45 percent based on current expense levels applicant did not include provision for an increase in drivers' welfare allowances which became applicable November 1, 1959, nor did it include provision for an increase in drivers' wages to become effective on May 1, 1960. With allowances for such expense items, it appears that the operating ratio figure of 91.45 percent would be increased to about 93 percent. This figure is before provision for income taxes.

the resultant rate will not be below a reasonable level. In consideration of these circumstances, the Commission is of the opinion and finds that the establishment of the sought rate has been shown to be justified by transportation conditions. The application will be granted.

By the amendment to its application filed December 7, 1959, applicant asks that it be allowed to establish the sought rate on a non-intermediate basis, and that to this extent it be authorized to depart from the long- and short-haul prohibitions of the Public Utilities Code.<sup>3</sup> It points out that the conditions which justify the reduced rate apply only in connection with the transportation to Kaiser. Hence, the rate would not be properly applicable to the transportation of fuel oil to intermediate points. The sought limitation appears justified and the requested authorization in this respect will be granted. Applicant will be likewise authorized to depart from similar prohibitions contained in Article XII, Section 21, of the State Constitution.

O R D E R

Based on the findings and conclusions set forth in the preceding opinion,

IT IS HEREBY ORDERED that

1. Reliable Transportation Company be, and it hereby is, authorized to establish and maintain a non-intermediate rate of  $10\frac{1}{2}$  cents per 100 pounds to apply for the transportation of residual fuel oil, in bulk, in full tank-truck and tank-trailer loads, from Watson, Los Angeles County, to the mills of the Kaiser Steel Corporation near Fontana, San Bernardino County.

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<sup>3</sup> Section 460.

2. Reliable Transportation Company be, and it hereby is, authorized to depart from the long- and short-haul prohibitions of Article XII, Section 21, of the State Constitution and of Section 460 of the Public Utilities Code to the extent necessary to carry out the effect of this order. In the publication of the rate hereinabove authorized, Reliable Transportation Company shall make reference in its tariff to this order as authorizing the aforesaid long- and short-haul departures.
3. The authority granted herein shall expire unless exercised within ninety days after the effective date of the order.

Dated at San Francisco, California, this 29<sup>th</sup> day of  
FEBRUARY, 1960.

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 President  
*Ed Bradley*  
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*William J. ...*  
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*E. Lynn Fox*  
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*Theodore J. ...*  
 Commissioners

Commissioner Everett C. McKeage, being necessarily absent, did not participate in the disposition of this proceeding.