

ORIGINAL

Decision No. 67989

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Investigation)
into the rates, rules, regulations,)
charges, allowances and practices)
of all common carriers, highway)
carriers and city carriers relating)
to the transportation of any and all)
commodities between and within all)
points and places in the State of)
California (including, but not)
limited to, transportation for which)
rates are provided in Minimum Rate)
Tariff No. 2).)

Case No. 5432
(Petition for Modification
No. 340)
(Filed April 27, 1964;
Amended July 30, 1964)

Phil Jacobson, for Oilfield Haulers Conference,
petitioner.
E. H. Hunt, for Progressive Transportation
Company; William M. Edwards, for Paxton Truck-
ing Company; Everett W. Trout, for Mojave
Transportation; Robert H. Fuller, for Owl
Truck Company; and Harvey H. Shorter, for
Chesley Transportation Company, respondents.
Arlo D. Poe, J. C. Kaspar and H. F. Kollmyer,
for California Trucking Association; and
James C. Hazzard, for K. T. Hunt, Richfield
Oil Corporation, interested parties.
Ralph J. Staunton and R. C. Labbe, for the
Commission staff.

O P I N I O N

This petition was filed by Oilfield Haulers Conference, a nonprofit organization consisting of carriers engaged in hauling oil field equipment, on behalf of the six members of that organization and approximately ten other highway carriers engaged in oil field hauling. The petition, as amended, seeks re-establishment of the scales of rates in Minimum Rate Tariff No. 2 for the truck-load transportation of oil well, gas well, and water well equipment and supplies in effect prior to January 18, 1964 (Decision No. 66453, dated December 10, 1963, 62 Cal. P.U.C. 14), and increases

in said scales of rates of the same amount as the corresponding class rates were increased pursuant to Decision No. 67443, effective August 1, 1964.^{1/} The effect of this request is to increase such minimum rates for transportation for distances over 80 constructive miles and to reduce such rates for shorter distances. Petitioner also seeks clarification of certain governing rules.

Public hearing in this matter was held before Examiner Mallory on July 21, 1964 at Los Angeles, and the matter was submitted on that date. Evidence was adduced on behalf of petitioner by a traffic consultant and by several truckers engaged in oil field transportation. The California Trucking Association (CTA) and the Commission staff assisted in the development of the record through examination of witnesses. CTA supported the petition. The staff opposed the relief sought.

Item No. 365 of Minimum Rate Tariff No. 2 sets forth a description of articles under the heading of "Oil, Water Or Gas Well Outfits and Supplies, and Other Articles," and provides exception ratings for such articles of 130 percent of A, minimum weight 20,000 pounds, and 115 percent of A, minimum weight 30,000 pounds.^{2/} The exception ratings produce rates higher than the rates based upon the ratings for such articles set forth in the governing classification. The commodity description and exception ratings were established by Decision No. 33263, dated July 3, 1940, in Case No. 4246 (unreported). The exception ratings have remained unchanged since that decision. Minor changes have been

1/ Decision No. 67443, dated June 26, 1964, in Case No. 5432, Petitions Nos. 323 and 335, and Application No. 46334.

2/ Item No. 720 of Minimum Rate Tariff No. 2 also contains hourly rates for intrafield transportation of property necessary or incidental to the establishment, maintenance or dismantling of oil, water or gas wells when such transportation is not in excess of 35 miles.

made in the commodity descriptions. Over the years, since 1940, the Commission has authorized adjustments, both upward and downward, in the minimum class rates. Such adjustments revised the level of the truckload rates for oil well outfits and supplies. By Decision No. 66453, dated December 10, 1963 (62 Cal. P.U.C. 14) the entire class rate structure in Minimum Rate Tariff No. 2 was completely revised, effective January 18, 1964, to reflect the then current carrier costs of providing service and transportation conditions. The effect of this revision on the class rates subject to minimum weights of 20,000 pounds and over was to increase such rates for distances up to 60 constructive miles and reduce such rates for longer distances. Petitioner herein alleges that such reductions were substantial; that oil field hauling is a specialized field of transportation; that the rate adjustment in Decision No. 66453 did not specifically consider such specialized operations, and was not reflective of the costs and transportation conditions encountered by oil field carriers; that the carriers engaged in oil field hauling were not and are not operating profitably under oil field hauling rates; and that the oil field mileage rates in Minimum Rate Tariff No. 2 should be restored to the levels in effect prior to January 18, 1964. Since the filing of the petition, all of the truckload rates in Minimum Rate Tariff No. 2 were increased pursuant to Decision No. 67443, supra, effective August 1, 1964, to reflect increases in carrier wages and fringe benefits, taxes and other costs. Petitioner alleges that oil field carriers have incurred increases in operating costs in the same amounts as measured in said Decision No. 67443, and that the sought rate levels should be increased by the same amounts as the corresponding increases in class rates made in Decision No. 67443.

In support of its proposal petitioner presented documentary evidence and testimony through a traffic consultant and through representatives of eight trucking concerns engaged in oil field hauling. The evidence presented by the highway carriers is summarized as follows: The carriers' oil field transportation consists almost entirely of the movement of shipments of 20,000 pounds or more. Transportation of oil field equipment generally involves movement of several truckloads at one time from one oil field to another, or the expedited movement of replacement or repair equipment to an oil field. Equipment and personnel must be available at all times, including nights and week ends, for the convenience of the shippers. Specially constructed equipment is required to enable the carriers to move heavy oil rigs over unimproved roads; the tare weight of this equipment is so great as to limit maximum pay loads over the state and federal highway systems to 38,000 pounds or less per unit of equipment.

Much of the movement of oil field equipment is over unimproved roads. There is less than 5 percent backhaul loads on such movements. Many loads are overlength, overwidth or overweight, requiring special permits to operate over federal and state highways and county roads. The movement of permit loads is over circuitous routes.

The transportation of oil well drilling rigs from one drilling location to another presents difficult loading and expediting problems, which require that the highway carrier employ drivers trained in the exigencies of such transportation, and that the carrier furnish a "pusher" or supervisor at points of loading to dismantle and properly load in the correct order and, at points of destination, to unload and reassemble the oil rigs in the proper order at the new location.

Drivers' and helpers' wage rates paid by carriers engaged in oil field hauling are generally higher than wage rates paid by carriers engaged in transportation of general commodities in truckload lots. Other wage costs and fringe benefits incurred by oil field haulers are no less than those incurred by general commodity truckload carriers. Also, other costs of transportation of oil field haulers are no less than those of general commodity carriers. On the other hand, general commodity truckload carriers operate over direct routes, have much higher pay loads than oil field carriers, have a much greater percentage of backhaul loads than oil field carriers, and are not required to provide supervisory labor at origin and destination. For these reasons, the carrier witnesses asserted that the costs of operation for oil field hauling are materially different from, and in several respects much greater than, the costs of providing truckload transportation of general commodities.

The traffic consultant employed by petitioner testified concerning the historical background of the oil field hauling rates, the operations of carriers under said rates, and the effect upon carriers' revenues of the rate change made pursuant to Decision No. 66453. He also explained petitioner's rate proposals. His testimony concerning carrier operations was essentially the same as that presented by carriers as summarized heretofore. The historical background of the oil field rates is outlined in the forepart of this opinion.

The traffic consultant presented an exhibit showing the actual revenue resulting from the transportation of traffic subject to the 130 percent of Class A and 115 percent of Class A exception ratings of eleven carriers for the period January 18, 1964 through

April 18, 1964. These revenues were compared with the revenues which would have been earned had the rates in effect prior to January 18, 1964 been retained in the tariff. These data are summarized in the following table:

Table 1

(1) Carrier No.	(2) Revenue From Current Rates	(3) Revenue that Would Have Accrued at Old Rates	(4) Difference In Revenue
1	\$ 19,288	\$ 21,747	\$ -2,459
2	24,513	26,424	-1,911
3	16,153	18,107	-1,954
4	1,226	1,130	96
5	7,078	8,167	-1,089
6	26,512	28,219	-1,707
7	36,430	39,558	-3,128
8	8,526	8,391	135
9	19,796	21,203	-1,407
10	16,603	18,010	-1,407
11	9,380	9,849	-469
Total	\$185,505	\$200,805	\$-15,300

- Revenue reduction.

From the above table, the witness concluded that reinstatement of the prior rates would have increased by 7.62 percent the revenues under mileage rates for oil field hauling for the eleven carriers shown in the table. The witness stated that the first quarter of 1964 was generally representative of carrier operations throughout the year. This statement was corroborated by the carrier witnesses.

Petitioner did not present data concerning the specific costs of performing service under mileage rates for oil field hauling, nor did petitioner show the overall effect upon carriers' revenues of the increases sought. Annual and quarterly financial reports filed with this Commission by the carriers included in Table I were incorporated into the record by reference. Six of the carriers filed quarterly financial reports for the first quarter of 1964. The period covered by Table I approximates the first quarter

of 1964. The effect upon the six carriers' revenues and expenses of the proposed rate change (as measured in Table 1) is set forth in the following table:

Table 2

From Quarterly Reports Filed With Commission	Carrier:					
	1	3	5	7	9	11
Carrier Operating:						
Revenues	\$117,701	\$ 92,113	\$108,960	\$ 90,891	\$1,234,458	\$253,797
Expenses	115,924	129,192	137,639	107,669	1,289,517	220,019
Net Oper. Inc.	1,777	(37,079)	(28,679)	(16,778)	(54,059)	33,778
Oper. Ratio	98.5	110.3	126.3	118.5	104.5	86.7
<u>From Table 1</u>						
Revenue Addition From Proposed Rates	2,459	1,954	1,089	3,128	1,407	469
<u>Adjusted Figures</u>						
Carrier Operating:						
Revenues	120,160	94,067	110,049	94,019	1,235,865	254,266
Expenses	115,924	129,192	137,639	107,669	1,289,517	220,019
Net Oper. Inc.	4,236	(35,125)	(27,590)	(13,650)	(53,652)	34,247
Oper. Ratio	96.5	137.3	125.1	114.5	104.3	86.5

() - Loss.

A comparison of the above table and Table 1 shows that the revenue received by the six carriers from the mileage rates under consideration herein varies from less than two percent (carrier 9) to about forty percent (carrier 7) of each carrier's total revenues for the period shown. Table 2 indicates that there is a wide variation in the profitability of the services performed by the six carriers, but that only two of six carriers operated at a profit during this period.

The Commission's Transportation Division staff disagreed with the contentions set forth in the petition that the petitioning carriers and CTA had erred in failing to present evidence specifically directed to oil field hauling in the proceeding leading to

Decision No. 66453; and that the Commission had erred in revising the rate levels for oil field hauling without having before it specific cost evidence concerning such transportation. The staff alleges that the Commission measured all transportation services subject to Minimum Rate Tariff No. 2 when said tariff was amended pursuant to Decision No. 67743. The staff urges that it is necessary that petitioner make a cost showing in order to justify any adjustment in the minimum rates for oil field hauling.

The staff representative stated that the staff is currently engaged in comprehensive economic studies of the rates and other provisions of Minimum Rate Tariff No. 2, and that such studies, when presented at future hearings, could provide the basis for further changes in rates applicable to transportation of oil, gas, and water well supplies. The record shows, however, that specific studies for oil field hauling under hourly rates^{3/} are in progress by the staff, but no staff studies are in progress relating specifically to the mileage rates for oil field hauling here under consideration. Petitioner stated that the instant petition was in the nature of a request for an emergency increase in rates, and that petitioner intended to supply detailed cost information to serve as a basis for rate adjustments in the future.

The staff also argued that an increase in the 20,000- and 30,000-pound rates on oil field equipment would be negated because of tariff rules which the staff construes to permit the application of lower less-truckload ratings (and rates) to oil field shipments of 20,000 pounds or more. Petitioner disagreed with this interpretation of the tariff; but desires that if the staff interpretation of the tariff is deemed to be correct that

^{3/} Hourly rates for oil field hauling are not under consideration herein.

the tariff be amended to prohibit the use of less-truckload ratings on oil field shipments of 20,000 pounds or more. Petitioner presented evidence to show that it was the intention of the Commission in Decision No. 33263, supra, to establish exception ratings on oil field shipments of 20,000 pounds or more which would remove the application of the lower less-truckload ratings (and rates) to such shipments.

Discussion, Findings and Conclusions

Minimum mileage rates for the transportation of oil, water, and gas well supplies and equipment have been maintained, since 1940, as exception class rates which are generally higher than the class rates which would otherwise have been applicable under ratings set forth in the governing classification. These exception class rates have been adjusted several times since 1940 concurrently with the adjustments in class rates and other general provisions of Minimum Rate Tariff No. 2. Such adjustments, while principally increases, have from time-to-time resulted in reductions. This proceeding is the first specifically dealing with oil field mileage rates in Minimum Rate Tariff No. 2 since the exception ratings of 130 percent of Class A, minimum weight 20,000 pounds, and 115 percent of Class A, minimum weight 30,000 pounds, were established in 1940.

The current class rates in Minimum Rate Tariff No. 2 have been found to be reasonable for the transportation services to which they apply. Mileage rates for oil well outfits and supplies have been maintained over the years on class-rate bases. It would appear that as the general level of class rates are adjusted, such adjustments would also be appropriate for the transportation of oil field equipment. There was no showing made in the instant proceeding that the class rates, per se, are unreasonably low.

The showing made by petitioner was that transportation of oil field equipment is different than, and, in certain respects, more costly than transportation of general commodities. Effect is now given to the additional costs of transporting oil field equipment by the maintenance of exception ratings which provide truckload rates on oil field equipment considerably higher than the otherwise applicable class rates based on the ratings set forth in the governing classification.

Analyses of annual report data filed with this Commission, and incorporated in this record by reference, indicate that the transportation services under consideration herein account for less than 30 percent of the carriers' total revenue as a group (Table 2), and in no case more than 40 percent of a carrier's total revenue. The annual reports show that the same group of carriers receive almost as much revenue from local cartage services as from intercity services. The rate increases sought herein appear to affect only intercity revenues, as the increases would be applicable only for distances of 80 constructive miles or more. The record does not clearly establish that the carriers' revenue deficiencies result from transportation under the rates here under consideration. The increases in rates sought herein would raise the levels of oil field truckload mileage rates by approximately 7.65 percent, but none of the four carriers (in the group of six) which operated at a loss during the first quarter of 1964 would operate at a profit if the sought increases were granted. We have consistently held in minimum rate proceedings in which financial results of operations are relied upon to support rate increases, that the operations for which the rate changes are proposed must constitute all or the predominant services performed by the carriers and reflected in such financial reports. Such is not the case in the instant proceeding.

Section 3662 of the Public Utilities Code provides that in establishing or approving minimum rates the Commission shall give due consideration to the cost of all of the transportation services performed, including length of haul; any additional transportation service performed, to, from or beyond the regularly established termini of common carriers; any accessorial service; the value of the commodity transported, and the value of the facility reasonably necessary to perform the transportation service. Specific cost evidence was not adduced. It appears from the record herein that all services involving the truckload transportation of oil field equipment are more expensive to perform than general commodity transportation services; yet, petitioner seeks to reduce the short-haul rates. The record indicates that extensive accessorial services are performed, for which separate accessorial charges may reasonably be required to be assessed by the carriers; however, apparently petitioner proposes to recover such costs in the line-haul rates. While the record shows that transportation under the oil field mileage rates is materially different from transportation conducted by carriers engaged in the truckload transportation of general commodities under mileage class rates, and that such different conditions would tend to make the transportation of oil field commodities more costly to handle than the truckload transportation of general commodities, evidence necessary to support a conclusion that the higher costs of providing oil field transportation justifies the proposed rates was not presented.

We find that it has not been shown that the proposed rates are just, reasonable and nondiscriminatory minimum rates to be charged by any highway carrier for the truckload transportation

of oil, water, and gas well outfits and supplies, and other articles, as described in Item No. 365 of Minimum Rate Tariff No. 2, nor for accessorial services performed in connection with said transportation.

We further find that the truckload exception ratings in said Item No. 365, which are higher than the corresponding bases in the governing classification, should not alternate with lower less-truckload class ratings (and rates) on the same commodities.

Based upon the above findings, we conclude that Petition No. 340 in Case No. 5432 should be granted to the extent that Minimum Rate Tariff No. 2 is revised to prohibit the alternation of less-truckload ratings with the truckload exception ratings in Item No. 365, and to all other extents the petition should be denied.

O R D E R

IT IS ORDERED that:

1. Minimum Rate Tariff No. 2 (Appendix D to Decision No. 31606, as amended) be and it is further amended by incorporating therein, to become effective November 14, 1964, Fifth Revised Page 38-A, attached hereto and by this reference made a part hereof.

2. Common carriers subject to the Public Utilities Act, to the extent that they are subject also to said Decision No. 31606, as amended, be and they are directed to establish in their tariffs the increases necessary to conform with the further adjustments herein of that decision.

3. Tariff publications required to be made by common carriers as a result of the order herein may be made effective not earlier than the tenth day after the effective date of this order on not

less than ten days' notice to the Commission and to the public and such tariff publications shall be made effective not later than November 14, 1964; and the tariff publications which are authorized but not required to be made by common carriers as a result of the order herein may be made effective not earlier than the tenth day after the effective date of this order, and may be made effective on not less than ten days' notice to the Commission and to the public if filed not later than sixty days after the effective date of the minimum rate tariff pages incorporated in this order.

4. Common carriers, in establishing and maintaining the rates authorized hereinabove, are hereby authorized to depart from the provisions of Section 460 of the Public Utilities Code to the extent necessary to adjust long- and short-haul departures not maintained under outstanding authorizations; such outstanding authorizations are hereby modified only to the extent necessary to comply with this order; and schedules containing the rates published under this authority shall make reference to the prior orders authorizing long- and short-haul departures and to this order.

5. In all other respects said Decision No. 31606, as amended, shall remain in full force and effect.

6. Except to the extent granted herein, Petition for Modification No. 340 in Case No. 5432 is hereby denied.

This order shall become effective twenty days after the date hereof.

Dated at San Francisco, California, this 6th day of OCTOBER, 1964.

Frederick W. Holmquist
President
George T. Crow
William W. Bennett

Item No.	SECTION NO. 1-RULES AND REGULATIONS OF GENERAL APPLICATION (Continued)	
	EXCEPTIONS TO GOVERNING CLASSIFICATION AND EXCEPTION RATINGS TARIFF (Continued)	(1) Class Rating
365	<p>OIL, WATER OR GAS WELL OUTFITS AND SUPPLIES and Other Articles, viz.:</p> <p>Adaptors, Casing, Adjustors and Boards, Arms, Cants, Handles or Pins, Band, Bull or Calf Wheel, wooden, Band, Bull or Calf Wheels or Tug Pulleys, Barrels, Pump Working (Well Pump Cylinders), Bits, Drilling, Blocks, Casing, Crown or Underreamer Dressing, Boiler Flues, Boiler Tubes, Boxes, Oil, Water, Gas Well Derrick or Stuffing, Caps, Sand Line, Casing Shoes, Casting, Swing Post, Catchers, Tubing Clamps, Disconnecting, Drilling, Drive or Gas Packing, Clamps or Grips, Anchor, Casing, Pipe, Polished Rod or Pull Rod, Countershafts, Oil Well, Derrick Cranes or Derricks, including necessary equipment of ladders, Drill Bitheads, Elevators, Pipe or Sucker Rod, Fittings, Pipe, iron or steel, cast wrought, plate or sheet, inside diameter 4 inches or greater, (See Note), Forges, Oil, Water or Gas Well Derrick, Gauges, Bit, Grate, Bars, Guides, wire lines, wooden, Heads, Control Casing, Drive Pipe or Casing, Hooks, Casing, Sucker Rod, Throwoff or Tubing, or Links, Jacks, Oil Well Pumping, or Parts, Jacks, Oil, Water or Gas Well Tool, Joints, Rotary Tool and Sucker Rod, Linors, Polished Rod, Lines, Measuring, Machines, Oil, Water or Gas Well Rotary Drilling, and Parts thereof,</p>	<p>Pipe or Tubing, iron or steel, inside diameter 4 inches or greater: Cast or Wrought, (See Note), Plate or Sheet, 16 gauge or thicker, Well casing or well drilling, Plugs, Cementing, Plugs, Dry Hole, Powers, Pumping, Protectors, Box and Pin, Pull Rod Blocks, Wooden, Rams, Bit, Reels, Measuring, Rig Irons, including necessary quantity of nails, Rings and Wedges, Rods, Polished or Valve, Rods, Sucker, Saddles, Jack, Sand Reels, Chain Drivon, Savers, Oil, Spiders, Linors or Slips, or Spudding Shoes and Rings, Stirrups, Disconnect- ing, Swabs, Steel and Rubber, Swivels, Hydraulic Rotary, Temper Screws and Parts, Templates, Box and Pin, Thief Hole Covers, Iron, Tongs, Pipe, weighing each 20 pounds or over, Tools, Oil, Water or Gas Well Drilling or Fishing (Covers only such tools as are com- monly known and recognized as Oil, Water or Gas Well Drilling or Fishing Tools and as used under the sur- face of the ground in the process of drilling an oil, water or gas well), Tubs, Oil, Water or Gas Well Cooling, Underreamers, Valves, Pump Working Barrel, Wagons, Casing or Bit, Wobblers,</p>

Mud Mixer Parts, Iron,
 Mud or Compounds, or Mud
 Treating Compounds, well
 drilling,
 Oil Well Pulling Machines,
 Outfits, Wire Line Pumping,
 Packers,

Wrenches, Drive Clamp,
 Sucker Rod or Swivel,
 also Tool Wrenches
 weighing each 20 pounds
 or over,

*Truckload:

Minimum Weight 20,000 pounds	130% of A
Minimum Weight 30,000 pounds	115% of A

The following articles when shipped in mixed shipments
 with one or more of the articles named above will be subject
 to ratings provided in this item:

Air Compressors,
 Anvils,
 Atmospheric Water Cooling
 Towers,
 Belts,
 Blacksmith's Rotary Blowers,
 Boiler Fronts,
 Boiler Parts,
 Boilers, including Fire Clay
 for setting,
 Brick, Fire
 Electric Generators,
 Engines,
 Fittings, Pipe, iron or
 steel, cast, wrought,
 plate or sheet, inside
 diameter less than
 4 inches, (See Note)
 Iron or Steel, plate or
 sheet,
 Pipe or Tubing, iron or
 steel, inside diameter
 less than 4 inches:
 Cast or Wrought,
 (See Note)
 Plate or Sheet, 16 gauge
 or thicker,

Power Pumps,
 Pull Rods,
 Rope,
 Smokestacks,
 Steam Boiler Trucks or
 Running Gears, knocked
 down,
 Tanks, iron or steel,
 knocked down,
 Tanks, Oil and Gas
 Separating, Automatic,
 Tank Steel,
 Tools, Mechanics' (one box),
 second-hand (used), not
 exceeding 1,000 pounds in
 weight,
 Valves, iron or brass,
 Wire Rope.

NOTE—Will not apply on cast iron pipe or
 fittings as described in Item No. 378.

*(1) Truckload ratings set forth in this item do not
 alternate with less-truckload ratings.

Change) Decision No. 67989
 * Addition)

EFFECTIVE NOVEMBER 14, 1964

Issued by the Public Utilities Commission of the State of California,
 San Francisco, California.

Correction No. 1547