

Decision No. 70538**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
of SAN DIEGO ECONOMY LINE, INC.,
for authority to increase passenger
fares.

)
Application No. 48132
(Filed December 20, 1965)

O P I N I O N

Applicant operates as a passenger stage corporation within the City of San Diego and between that city and points in San Diego County.

The application seeks to increase by five cents the adult fare between points within Zones 1 and 2, and to increase by five cents the adult, school and children's fares between Zones 1 and 2 and other zones. The present fares were established pursuant to Decision No. 64340 in October 1962.

The application was served in accordance with the Commission's procedural rules, and notices of the requested fare increases were posted in applicant's buses and in its terminal during the period January 10 through February 2, 1966. No protests have been received.

The verified application states that the increased fares are sought to recover anticipated increases in operating expenses, as follows:

1. Semi-rebuilt motors are required on two buses at an estimated cost of \$1,260.50.
2. Two buses will be repainted at an approximate cost of \$525.75, and seats will be reupholstered at an approximate cost of \$450.
3. It will be necessary to employ a part-time driver as a substitute driver for those on vacation and sick leave, at an approximate annual cost of \$775.

The application states that effective October 4, 1965, applicant reduced service to one bus and one driver. Therefore, applicant believes that operating experience for 1964 would not be appropriate for the development of estimated operating revenues and expenses for a test year under present and proposed fares. Applicant's estimate of revenues and expenses for a test year, set forth in Table 1 below, were based on the operations as conducted by applicant after October 4, 1965. The amount of revenue increase was based upon a fare check conducted during the periods October 4 through October 9 and October 11 through October 16, 1965. The estimated annual increase under the fares proposed herein is \$2,782.

Table 1

APPLICANT'S ESTIMATE OF REVENUES AND EXPENSES
UNDER INCREASED FARES FOR TEST YEAR

<u>Revenues</u>	
Passenger Revenues	\$21,612.86
Other Operating Revenue	444.00
Total Operating Revenues	<u>\$22,056.86</u>
<u>Expenses</u>	
Repairs, Service Equipment and Tires (including expenses set forth in Items 1 and 2 above)	\$ 5,211.75
Drivers' Wages	6,877.00
Fuel and Oil	2,200.00
Other Transportation Expense	410.80
Station and Terminal Expense	34.90
Tariff, Traffic & Advertising Expense	80.00
Insurance, Injuries & Damages	2,110.08
Office Expense	635.15
Depreciation	229.92
Operating Taxes & Licenses	2,210.00
Rent Paid	1,500.00
Total Operating Expenses	<u>\$21,499.60*</u>
Net Operating Profit	557.26
Miscellaneous Charges to Income	50.00
Provision for Income Taxes	(a)
Net Profit After Taxes	507.26
Operating Ratio	97.47%

(a) Prior years' losses carried forward; therefore no income taxes accrued.

* Erroneously given as \$21,449.60 in applicant's exhibit.

In the above table, applicant has included in operating expenses for the test period the entire cost of rebuilding engines and of repainting and reupholstering buses, which work is expected to be completed during the test year. For rate-making purposes such deferred maintenance costs should not be charged to expenses for a single year but should be spread over a longer period. In this case three years appears to be reasonable. With this adjustment in applicant's estimates under proposed fares, operating expenses for the test year would be \$20,009 and net income would be \$1,998; the resulting operating ratio would be 90.7 percent.

An associate transportation engineer of the Commission's Transportation Division - Engineering Economics Branch has prepared and submitted a report covering his analysis of applicant's operations under present and proposed fares. The staff report is hereby incorporated in this proceeding as Exhibit No. 1. The staff engineer's estimates contained in the report indicate that for a rate year ending March 31, 1967, operations under present fares will result in a deficit of \$2,400 and an operating ratio of 112.1 percent. He estimates that under the proposed fares operations for the same test period would result in a profit of \$300 and an operating ratio of 98.7 percent. Based on these estimates, the staff engineer concluded that the proposed fares would be reasonable, and he recommended that applicant's request be granted ex parte.

It is apparent that applicant is in urgent need of additional revenues as evidenced by the substantial deficit under existing fares, and that the proposed fares will be reasonable based on either of the estimates furnished herein.

The Commission finds that the fare increases proposed in Application No. 48132 will be reasonable and are justified,

and that a public hearing is not necessary. The Commission concludes that the application should be granted.

ORDER

IT IS ORDERED that:

1. Applicant is authorized to establish the increased rates proposed in Application No. 48132. Tariff publications authorized to be made as a result of the order herein may be made effective not earlier than five days after the effective date hereof on not less than five days' notice to the Commission and to the public.

2. The authority herein granted shall expire unless exercised within ninety days after the effective date of this order.

3. In addition to the required posting and filing of tariffs, applicant shall give notice to the public by posting in its buses and terminals a printed explanation of its fares. Such notice shall be posted not less than five days before the effective date of the fare changes and shall remain posted for a period of not less than thirty days.

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

Dated at San Francisco, California, this 5th day of April, 1966.

Friedrich B. Halbach
President

George E. Grover

Augustin

William W. Bennett
Commissioners

Commissioner Peter E. Mitchell, being necessarily absent, did not participate in the disposition of this proceeding.