

ORIGINALDecision No. 73199

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 WESLEY L. HANSEN and HERBERT W.
 HAMMOND, Co-partners, doing
 business as H & W TRUCKING, under
 Section 3666 of the Public Utilities
 Code of the State of California,
 for Authority to charge rates less
 than those prescribed in Minimum
 Rate Tariff No. 15 for the trans-
 portation of animal feed and
 related articles for the account of
 SALYER GRAIN & MILLING CO. within
 a radius of 125 miles of Corcoran,
 California.

Application No. 48697
 (Filed August 10, 1966)

William H. Kessler, for applicants.

R. W. Smith, Arlo D. Poe and H. F. Kollmyer,
 for California Trucking Association,
 interested party.

Joseph C. Matson and Robert W. Stich, for the
 Commission staff.

OPINION ON REHEARING

Applicants transport animal feed between the plant of Salyer Grain and Milling Co. at Corcoran and various cattle feeding lots and ranches within 125 miles of Corcoran. The animal feed is loaded by the shipper into specially equipped trailers owned by Salyer. Actually applicants furnish only tractors and drivers to move the shipper's trailers. The application sought authority to perform this transportation at a rate of 32 cents per round-trip mile in lieu of the minimum rates named in Minimum Rate Tariff No. 15.

Decision No. 72243, dated April 4, 1967, in this proceeding denied the request because the evidence presented in support thereof

failed to show the reasonableness of the method of allocating expenses, based on percentage of revenue, between transportation performed for Salyer and other transportation services conducted by applicants. Upon representation that applicants had additional evidence to offer, rehearing was granted by order dated May 16, 1967.

Rehearing was held before Examiner Mallory at Fresno on September 12, 1967. One of the partners testified in support of the sought authority. Representatives of the California Trucking Association and of the Commission's staff assisted in developing the record by cross-examining the witness. There is no opposition to the granting of the application.

The sought authority was modified at the hearing to request a rate of 33 cents per mile, in consideration of increases in operating costs occurring since the application was filed.

The witness testified that the Salyer operation began in April, 1966. Applicants have assessed the yearly or monthly vehicle unit rates for tractors and drivers set forth in Minimum Rate Tariff No. 15. Three tractors are assigned to the Salyer haul.

The witness presented a statement of revenues and expenses for the year ended March 31, 1967 covering operations for which the rate deviation is sought. This statement shows the revenues actually assessed to Salyer. Expenses were represented to be those actually incurred in the Salyer operations, except for terminal, office and management expenses. It was necessary to prorate the latter expenses, as there is no means of determining them on an actual basis. Said expenses were allocated on a percentage of revenue basis.

A summarization of the revenue and expense statement submitted by the witness is set forth below:

Revenues and Expenses for
Applicants' Salyer Operation
April 1, 1966 through March 31, 1967

Operating Revenues	\$94,550
Operating Expenses	78,480
Net Operating Profit (before income taxes)	16,070

The witness testified that if the sought rate of 33 cents per mile had been assessed, the net operating profit (before taxes) in the above statement would have been \$15,270.

Applicants have corrected the major infirmities of their original showing concerning the method of determining expenses for their Salyer operations. All expenses except indirects or overheads appear to be those actually incurred in the Salyer operations. Cross-examination indicates that such expenses may be slightly understated because of failure to include certain expenses, such as terminal insurance and operating and depreciation expense for a pickup truck used by one of the partners, and the allocation of indirect expenses on the basis of revenue is not a logical or reasonable procedure. However, there appears to be a sufficient difference between revenues and expenses under the proposed rates to provide for a reasonable profit margin should the omitted expenses be included and if the overhead expenses were increased by use of an allocation basis determined from the relationship of those expenses to the physical functions of the operation.

Assertedly, the sought method of calculating the rates for the Salyer operation will result in lowering administrative and billing expenses, and is desired by the shipper. Also, it will permit greater use of the tractors as it no longer will be necessary to

assign the tractors to the exclusive use of the shipper, as is required under the provisions of Minimum Rate Tariff No. 15.

The Commission finds as follows:

1. Revenues under the sought rate of 33 cents per round-trip mile will exceed the expenses of providing the service and will allow for a reasonable margin of profit.
2. The proposed rates, subject to the conditions specified in the order which follows, will be reasonable for the services performed by applicants in the transportation of trailers owned by Salyer Grain & Milling Co. within a radius of 125 miles of Corcoran.

The Commission concludes that the application should be granted. As the circumstances surrounding the transportation may change, the authority granted herein will be limited to a period of approximately one year.

O R D E R

IT IS ORDERED that:

1. Wesley L. Hansen and Herbert W. Hammond, doing business as H & W Trucking, are authorized to depart from the minimum rates set forth in Minimum Rate Tariff No. 15, for the transportation of animal feed and related articles for Salyer Grain & Milling Co. from that company's plant at Corcoran to cattle feeding yards and ranches within a radius of 125 actual miles of Corcoran, subject to the following conditions:

(a) Shipments shall be transported in trailers owned by the shipper.

(b) Shipments shall be loaded by the shipper.

(c) The rate to be assessed shall be 33 cents per mile, based on the actual round-trip mileage traversed.

(d) Applicant shall maintain records showing beginning and ending odometer reading for each trip for each unit of equipment used in the transportation under the rate deviation authorized herein. Such records shall be maintained for a period of three years.

2. The authority granted herein shall expire November 15, 1968.

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

Dated at San Francisco, California, this 17th day of OCTOBER, 1967.

D. E. Mitchell
President

William G. Bennett

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William J. ...

Theo P. ...
Commissioners