

Decision No. 74588**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
of Ronald C. Kelsey, doing business)
as SIERRA LINES, for authority to)
increase passenger fares.)

Application No. 50243
(Filed May 16, 1968;
Amended July 25, 1968)

O P I N I O N

Ronald C. Kelsey, an individual doing business as Sierra Lines (Sierra), holds a certificate as a passenger stage corporation for transportation of passengers between Lawrence Radiation Laboratory in Livermore and Alamo, Castro Valley, Danville, Hayward, Lafayette, Orinda, Pleasant Hill, San Leandro, Walnut Creek, Concord, and Four Corners. Sierra provides a commute service on a monthly fare basis. Fares range from \$16.00 to \$18.00 per month. No one-way or round-trip fares are maintained. Sierra also holds operating authority as a charter-party carrier of passengers.

In this application, Sierra seeks to increase its commute fares by \$4.00 per month. In support of this request, the application shows that Sierra's operations were conducted at a loss of \$1,476 for the year 1967. Sierra estimates that under present fares the loss for the year 1968 will amount to \$2,200, due to increased costs of labor and other operating costs.

The amendment to the application contains the following estimates of revenues and expenses for a future year under present and proposed fares.

TABLE I

SIERRA LINESSTATEMENT OF EARNINGS UNDER PRESENT AND PROPOSED FARESYear of Oct. 1, 1968 to Sept. 30, 1969

| <u>PRESENT FARES</u> | | <u>PROPOSED FARES</u> | |
|----------------------|--------------|-----------------------|--------------|
| REVENUE | | REVENUE | |
| Passenger | \$ 29,000.00 | Passenger | \$ 41,432.00 |
| Special Bus | 85,254.00 | Special Bus | 85,254.00 |
| Total | 114,254.00 | Total | 126,686.00 |
| EXPENSES | | EXPENSES | |
| Operation | 105,757.00 | Operation | 105,757.00 |
| Depreciation | 8,500.00 | Depreciation | 8,500.00 |
| Taxes-Licenses | 7,045.00 | Taxes-Licenses | 7,045.00 |
| Total | 121,302.00 | Total | 121,302.00 |
| NET INCOME | (7,048) | NET INCOME | 5,384.00 |
| Operating Ratio | 106.1% | Operating Ratio | 95.7% |
| Rate of Return | - | Rate of Return | 3.67% |
| Rate Base | \$ 19,767.80 | Rate Base | \$ 19,767.80 |

The application shows that it was served upon the Lawrence Radiation Laboratory, Livermore, and that notice of the proposed fare increase was posted in all passenger buses operated by applicant. There are no protests.

A financial examiner on the staff of the Commission's Finance and Accounts Division examined the accounting records and other data in the records of applicant to determine his financial condition and results of operation. The results of this examination

are contained in a report which is received herein as Exhibit 1. The following are excerpts from Exhibit 1. Applicant is a full-time employee of Lawrence Radiation Laboratory. All the passengers and the drivers of applicant's commute buses also are employees of the Laboratory. Applicant does not drive a bus. Sierra owns or leases twelve buses, of which six are used in commute service. Four of the twelve buses are leased.

Commute drivers are paid at the rate of \$110 per month and relief drivers are paid at the rate of \$5.50 per day. All of the relief drivers are regular passengers and occasionally have taken credit against their fares in lieu of wages. No records have been kept by the applicant as to the amount involved. The operations are conducted from an office maintained in applicant's residence. Maintenance and servicing of the buses is performed at a shop rented in Pleasant Hill.

Exhibit 1 contains a balance sheet as of December 31, 1967, an income statement for the twelve months ended December 31, 1967, and an equipment schedule. The balance sheet indicates a net deficit in the proprietorship account of \$4,835. The income statement for the year 1967 is set forth in Table II, which follows. In said table, the financial examiner allocated expenses between commute and charter operations directly where possible, or by other acceptable accounting methods.

TABLE II

SIERRA LINESINCOME STATEMENT1/1/67 - 12/31/67

| | Recorded After Staff <u>Adjustment</u> | <u>Commute</u> | <u>Charter</u> |
|---------------------------------|--|-------------------|-----------------|
| <u>Revenues</u> | | | |
| Commute | \$ 34,121 | \$ 34,121 | |
| Charter | 75,254 | | \$ 75,254 |
| Total Revenue | <u>109,375</u> | <u>34,121</u> | <u>75,254</u> |
| <u>Operating Expenses</u> | | | |
| Maintenance & Garage | 38,807(A) | 17,155 | 21,652 |
| Transportation Expense | 49,550(B) | 14,088 | 35,462 |
| Tariff and Advertising | 1,713(C) | | 1,713 |
| Insurance | 11,263 | 4,980 | 6,283 |
| General and Administra- tive | 6,375(D) | 2,140 | 4,235 |
| Depreciation | (2,915) | (801) | (2,114) |
| Taxes | 4,496 | 1,758 | 2,738 |
| Operating Rents | 3,300(E) | 1,435 | 1,865 |
| Total Operating Expenses | <u>\$112,589</u> | <u>40,755</u> | <u>71,834</u> |
| Net Operating Income | \$ (3,214) | <u>\$ (6,634)</u> | <u>\$ 3,420</u> |
| Other Expense Interest | 481 | | |
| Net Income (Loss) | <u>\$ (3,695)</u> | | |
| Operating Ratio | 102.93% | 119.44% | 95.45% |

Adjustments

(Red Figure)

- (A) Reclassification - \$982 payroll taxes included in other taxes, \$75 repairs included in dues.
- (B) Reclassification of \$1,568 payroll taxes included in other taxes.
- (C) Reclassification of \$1,251 telephone directory advertising included in telephone expense.
- (D) To allow supervision and management salaries of \$2,400 for services performed by Mr. and Mrs. Kelsey.
- (E) To allow office rent of \$300 for portion of personal residence used as business office.

The staff report in Exhibit 1 points out that four of the buses operated by Sierra are owned by another person for whom Sierra performed charter operations in the amount of approximately \$5,000. This amount was withheld in lieu of rental for the buses. Such transactions were not recorded on the books of Sierra.

Exhibit 1 states that accounting records are not maintained in accordance with the Commission's Uniform System of Accounts. No separation is made on Sierra's books between commute and charter operations, except for drivers' wages.

The following conclusions and recommendations appear in Exhibit 1:

"1. Table II, Income Statement, shows that applicant's commute operations at present rates after staff adjustments for the rate year 1967, resulted in an operating loss of \$6,634. The commute operations at requested fares as shown in the Transportation Division study (discussed hereinafter) will still result in a loss of \$1,480.

2. It is recommended that the applicant be directed to follow the Uniform System of Accounts for Motor Carriers of Passengers.

3. It is also recommended that the applicant be directed to record all business transactions in the accounting records, whether they are of an offset nature or not."

The Commission's Transportation Division prepared a summary of estimated results of operation for a future year, based upon the data in Exhibit 1. Said summary, received herein as Exhibit 2, is set forth below:

TABLE III
SUMMARY OF
ESTIMATED RESULTS OF OPERATION
SIERRA LINES

| | Historical Year | | Rate Year | |
|------|-----------------|---------|-------------------|-----------------|
| | Year 1967 | | 8-1-68 to 7-31-69 | |
| | Present Fares | | Present Fares | Requested Fares |
| Item | All Operations | Commute | Commute | Commute |

Statistics

| | | | | |
|----------------------|-----------|----------|----------|----------|
| Bus Miles | 216,543 | 95,750 | 96,200 | 96,200 |
| Monthly Tickets Sold | - | 2,048 | 2,050 | 2,050 |
| Revenue | \$109,375 | \$34,121 | \$34,120 | \$42,290 |
| Operating Expenses | 118,264 | 42,768 | 43,770 | 43,770 |
| Net Operating Income | (8,889) | (8,647) | (9,650) | (1,480) |
| Operating Ratio % | 108.1 | 125.3 | 128.3 | 103.5 |
| Rate of Return % | - | - | - | - |
| Rate Base | \$ 15,282 | \$ 8,763 | \$11,380 | \$11,380 |
| (Red Figure) | | | | |

The Commission finds as follows:

1. The estimates of operating revenues and expenses as set forth in Table II reasonably represent the results of applicant's operations for the year 1967.
2. The estimates of operating revenues and expenses set forth in Table III for the test year ended July 31, 1969 are reasonable for the purpose of prescribing fares herein.
3. Applicant's commute operations at present fares were conducted at a loss in 1967, and will be conducted at a loss in the test year shown in Table III.

4. Under the fares proposed herein, applicant's operating loss for commute operations would be reduced, but not eliminated.

5. The fare increases sought herein are justified.

6. A public hearing is not necessary.

The Commission concludes that the application should be granted; that applicant should be permitted to establish the increased fares on the earliest possible date in order to minimize losses from commute operations; and that applicant should be directed to follow the Uniform System of Accounts and to record all business transactions in his accounting records.

O R D E R

IT IS ORDERED that:

1. Ronald C. Kelsey, doing business as Sierra Lines, is authorized to increase his passenger fares as proposed in the application herein. Tariff publications authorized to be made as a result of the order herein shall be filed not earlier than the effective date of this order, and 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. In addition to the required posting and filing of tariffs, applicant shall give notice to the public by posting in his buses and terminals a printed explanation of the 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.

3. The authority granted herein shall expire unless exercised within ninety days after the effective date hereof.

4. Applicant is directed to maintain his accounting records in accordance with the prescribed Uniform System of Accounts for Motor Carriers of Passengers and to record all business transactions in his accounting records, whether or not of an offset nature.

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

Dated at San Francisco, California, this 20th day of AUGUST, 1968.

William Lyons
President
Peter L. Mitchell
Stallman B. Berris
Augustas
Commissioners

Commissioner Fred P. Morrissey, being necessarily absent, did not participate in the disposition of this proceeding.