JM/NB

Decision No. 80614

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of RIVER LINES, COMPANY, a corporation, for an Order authorizing increases in its rates and charges for the transportation of petroleum and petroleum products in bulk.	Application No. 53302 (Filed May 1, 1972; Amended August 21, 1972)
In the Matter of the Application of HARBOR CARRIERS, INC., a corporation, for an Order authorizing increases in its rates and charges for the transportation of petroleum and petroleum products in bulk.	Application No. 53352 (Filed May 24, 1972; Amended August 21, 1972)

O P I N I O N

River Lines Company, a corporation, and Harbor Carriers, Inc., a corporation, are common carriers by vessel operating on the waters of San Francisco Bay and its tributaries. They compete with each other and both carriers maintain the same rates for the transportation of petroleum products on those waters in San Francisco Barge Tariff Bureau Local Freight Tariff No. 1, William M. Larimore, Agent. By these applications they seek authority to cancel certain rates which apply to movements that no longer exist and to increase other rates on petroleum products by approximately 20 percent. By interim orders in Decisions Nos. 80144 and 80183, applicants were authorized to cancel rates as requested and were authorized to increase other rates by 5-1/2 percent. The applications were consolidated for hearing scheduled for Monday, August 21, 1972. Prior to hearing the Commission staff made an investigation and filed a report concerning these applications; no protests or correspondence from the public were received; and applicants notified the Commission that they would furnish additional data by way of a supplement or amendment to their applications. For these reasons the scheduled hearing was canceled and the matters removed from the calendar. Applicants filed amendments to their applications on August 21, 1972 and the matters are now ready for decision.

Utilizing 1971 operating results as a test year, River Lines Company estimated results for a future rate year at present rates and at proposed rates. Total 1971 gross operating revenues amounted to $1,939,875. For a future rate year under present rates, applicant estimated total gross operating revenues of $1,693,635. The reduction in revenues results from loss of certain petroleum traffic and because of non-recurring revenues from detention and docking services. Under the proposed rates applicant estimates total gross revenues of $1,958,267 which reflects an increase in revenues of about 16 percent. Some of the services from which revenues are generated would not be subject to the proposed 20 percent increase in rates. Applicant shows that it had an operating ratio before income taxes of 94.1 percent from 1971 operations, and it estimates that for a future rate year under present rates it would have an operating ratio of 111.80 percent and under the proposed rates an operating ratio of 96.69 percent before income taxes.

The Commission staff made an investigation and submitted a comprehensive report of the revenues, expenses and finances of the River Lines Company, which report is received in evidence herein as Exhibit No. 1. The staff made some adjustments to applicant's estimates mainly to eliminate costs applicable to the tug Modoc which had been operating in Oregon under charter. With said modifications the adjusted results are as follows:

TABLE 1

RIVER LINES COMPANY, RESULTS OF OPERATION
1971 ACTUAL AND ESTIMATED FUTURE RATE YEAR
ELIMINATING COSTS ATTRIBUTABLE TO MODOC

Water-line Operations	1971 Actual	Future Rate Year Estimates Present Rates	Proposed Rates
Revenues	$1,915,875	$1,693,635	$1,958,267
Expenses	1,764,165	1,860,762	1,860,762
Net Revenues	$ 151,710	$ (167,127)	$ 97,505
Operating Ratio*	92.081%	109.868%	95.020%
Net Average Investment Operating Equip.	$ 977,809	$ 845,717	$ 845,717
Return on Inv.*	15.5%	-	11.53%

(Negative Figure)
* Before Income Taxes.

Exhibit No. 1 contains other data concerning the operations and finances of River Lines Company, including reasons for the decline in applicant's traffic. In Exhibit No. 1 it is stated that it is recommended that all investments, revenues, and expenses pertaining to nonutility operations be maintained on a fully segregated accounting basis, including appropriate allocation of indirect and overhead costs. Applicant's attention is directed to said recommendation. Implementation thereof by applicant will facilitate action upon future applications involving rates.

Harbor Carriers, Inc., also utilized actual results of operations for 1971 as a test year in making its estimates of results for a future rate year under present rates and under proposed rates. It shows a loss of $59,000 for 1971 operations, a loss of $140,314 for a future rate year under present rates, and a loss of $49,897 under the proposed increased rates.

The Commission staff made an investigation and submitted a report of the revenues, expenses and finances of Harbor Carriers, Inc., which report is received in evidence as Exhibit No. 2. The exhibit corroborates the data submitted by applicant. The figures indicate that a loss of approximately $50,000 will still accrue even with the granting of a 20 percent rate increase. The report contains other data which we will incorporate in our findings.

We find that:

1. River Lines Company and Harbor Carriers, Inc., are common carriers by vessel in competition with each other on the waters of San Francisco Bay and its tributaries, and each of them maintain the same rates for the transportation of petroleum products on said waters.

2. The principal commodity transported by applicants is petroleum products. River Lines Company also transports grain and safflower in volume. The latter company also enjoyed traffic of air planes and parts, but the revenues received therefrom have declined to a minimal amount. Both applicants have experienced a steady and continual decline in petroleum traffic because of customers changing to the use of pipelines. Both applicants were affected by a dock strike that occurred the latter portion of 1971 and the first two months of 1972.

3. The present rates maintained by applicants for the transportation of petroleum products were established pursuant to authority granted by the Commission in its Decision No. 72815, Application No. 49412, dated July 25, 1967. By this application, applicants seek authority to increase said rates by approximately 20 percent.

4. Since 1967 applicants have suffered severe declines in petroleum traffic because of pipeline competition and have incurred increases in labor costs, taxes and other items of expense.

5. Under the present rates applicants will conduct operations at a loss; under the proposed increased rates Harbor Carriers, Inc., will continue to transport petroleum products at an operating loss; under the proposed increased rates the operating results of River Lines Company will be less favorable than the actual results from operations conducted in 1970 and 1971 and will provide earnings less than those heretofore found to be reasonable for this carrier.

6. While some of the decline in earnings of applicants may be attributed to the dwindling of petroleum traffic because of pipeline competition, the increases sought herein are cost-justified. Since the last rate case in 1967, and more particularly since May 31, 1971, applicants have incurred substantial increases in operating expenses. The rate increase does not reflect future inflationary expectations. In the case of both applicants it is based upon 1971 test-year operations and all items of increases in expense considered herein are definite and have been measured with respect to their impact upon total operating costs.

7. The increase is the minimum required to assure continued, adequate, and safe service. It will merely curtail the losses incurred by Harbor Carriers, Inc., from the transportation of petroleum, and in the case of River Lines Company will provide earnings lower than those achieved during 1970 and 1971 and lower than those considered by the Commission in approving the establishment of the present rates.

8. The projected operating results take into consideration crew wages of June 1, 1971 prescribed in contracts between applicants and Inland Boatman's Union of the Pacific (IBU) and a 6.2 percent increase in said wages effective June 1, 1972. They also consider an increase in contribution to IBU welfare fund from $36 per month to $58 per month. It is stated that the welfare fund is presently in a deficit position and that a minimum payment of $58 per month will be required to maintain the fund in a solvent position. Said increases in labor costs are not in excess of those allowed by Price Commission policies.

9. The projected operating results are based upon operations being conducted in the same manner as operations in 1971. The barges operated are as large as can be operated on the rivers which are the tributaries of San Francisco Bay and are operated at as full capacity as is possible with the minimum crew necessary for safe and efficient operation. Further loss of petroleum traffic to

pipeline competition may be expected. Gains in productivity are not foreseeable in the immediate future.

10. The rate increase will provide no return on capital to Harbor Carriers, Inc. It will achieve the minimum rate of return needed to attract capital at reasonable costs and not impair the credit of River Lines Company. That company's senior capital carries debt interest rates of 7-3/4 percent, 7-1/2 percent, and prime rate plus 2 percent, with the bulk of such debt carrying the highest interest rates. Said debt amounts to approximately two-thirds of River Lines Company's total capital structure. It does not appear that there are other common carriers by vessel which are willing and capable of providing the service at the existing rates.

11. Applicants served copies of their applications upon their customers and discussed with them the increases in rates proposed. Notice of the filing of the applications appeared in the Commission's Daily Calendar. Notice of the Commission's interim orders in Decisions Nos. 80144 and 80183 appeared in the Commission's Daily Calendar as did notice of hearing in this proceeding. No communications have been received concerning these applications. Reasonable opportunity has been accorded for participation by all interested persons or their representatives.

12. The increases are justified.

We conclude that the applications should be granted and that a public hearing is not necessary.

O R D E R

IT IS ORDERED that:

1. River Lines Company, a corporation, and Harbor Carriers, Inc., a corporation, and each of them are authorized to cancel certain rates and to establish the increased rates as proposed in their respective Applications Nos. 53302 and 53352. 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 ten days after the effective date hereof on not less than ten days' notice to the Commission and to the public.

2. The authority herein granted shall supersede the interim authorities granted in Decisions Nos. 80144 and 80183, and shall expire unless exercised within ninety days after the effective date of this order.

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

Dated at Los Angeles, California, this 17th day of OCTOBER, 1972.

Vernon L. Sturgeon
President

William Symons, Jr.

Commissioners

I dissent

J. P. Vukasin Jr., Commissioner.