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Decision No. 82047

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application
of JERRY T. and MILLARD F. KERN,
doing business as KERN BROS., for
authority to deviate from minimum
rates pursuant to Section 3666 of
the Public Utilities Code for Amax
Carbon Products, Inc.

Application No. 54116
(Filed June 21, 1973)

Russell & Schureman, by Carl H. Fritze, Attorney at
Law, for Kern Bros., applicant.
Ed Bill, and Herb Hughes, for California Trucking
Association; and John Ollweiler, for American
Metal Climax, Inc.; interested parties.
Frank M. Nyulassy, for the Commission staff.

O P I N I O N

Applicants Jerry T. and Millard F. Kern, doing business as Kern Bros., request authority to deviate from the applicable minimum rates found in Minimum Rate Tariff 2 for the transportation of carbon coke, in bulk, from the plant site of Amax Carbon Products, Inc. (Amax) at Bakersfield to points within 500 miles of such plant site at the rates and subject to the conditions set out in Appendix A of this opinion. The application came on for hearing at Bakersfield on September 6, 1973 before Examiner Pilling.

Jerry T. Kern (Kern) appeared and gave testimony on behalf of the partnership. Kern stated that the partnership was now hauling the subject commodity from the newly opened Amax plant site at Bakersfield and that it had performed transportation of a commodity with similar transportation characteristics from that same plant site

for the site's previous occupant; that it is presently hauling with two of the tractors and two of the trailers of the three units which it owns; that the trailers are open top equipment capable of being loaded from overhead and unloaded by rear end gravity dumping; that it will put the third unit of equipment into operation if the proposed rates are authorized; that both applicants act as drivers for the two units in operation and that they will hire a third driver when need for the third unit arises; and that the partnership had a net worth of \$26,040.71 as of May 29, 1973 and for the calendar year 1972 had a net profit from trucking operations of \$13,090.

The plant manager for Amax at Bakersfield testified that the raw material from which it produces carbon coke is the basic residue left after all hydrocarbons are taken out of petroleum. The raw material, which is in granular form, is obtained from an adjacent oil refinery through slug pipes. Amax adds a binder to the raw material and extrudes it to form 6-inch slugs weighing approximately 8.6 pounds each. The slugs are then given a prolonged high heat treatment to harden them and turn them into almost pure carbon. Because of the high heat treatment, the slugs leave but an ounce of residue when fully consumed by the foundries to which Amax primarily sells the slugs. The Amax witness testified that his plant is the first plant in the country to go into full commercial production of such a product; that Amax only recently started to manufacture and sell such a product; that its principal buyers are foundries; that Amax's competitors are the marketers of eastern and southeastern coal coke which is shipped into the State by rail under 70,000 pound rail rates which in some instances closely approximate the rates under which Amax must ship under the Commission's minimum rate tariffs thereby lessening the natural marketing advantages which Amax would otherwise enjoy; that California intrastate rail rates on his product

are tied to 140,000 pound minimum weights; that buyers of his product are not in a position to take such large quantities; that some customers require as little as one or two tons per month; that Amax is presently producing between 1,500 and 1,600 tons of carbon coke per month but its expectations and capacity are to produce 40,000 tons per year; that Amax has used the services of applicant in transporting the subject commodity and has found such service and the equipment used in the operation satisfactory; that overhead loading and gravity end dump unloading is required for the haul; that the loading takes not in excess of 20 minutes and less to unload; that a marketing unit of 43,000 pounds, with the privilege of one stop in transit to unload, at the rates proposed by applicant is absolutely necessary for Amax to successfully continue in business. Otherwise, Amax will go to private carriage.

John Ollweiler, assistant general traffic manager of American Metal Climax, Inc., the parent company of Amax, which supervises the traffic function of Amax, testified that there are a total of 70 foundries in the State, 40 of which are potential customers of Amax. He asserted that the application was filed at the request of his company and of Amax and that he lent his services to applicant in the preparation of the cost studies, scale of rates, and other comparisons based on the raw figures furnished to him by applicants. He sponsored Exhibit 5 and the detailed cost studies underlying that exhibit which show applicant's cost factors to be as follows:

A. 54116 am

Manpower Cost

\$6.96 per hour

Fixed Costs

Depreciation	\$16.25 per load
Insurance	10.00 per load
License	<u>2.70</u> per load
	\$28.95 per load

Variable Costs

	<u>Northbound</u>	<u>Southbound</u>
Fuel	\$.060	\$.066
Tires	.026	.030
Maintenance		
Engine	.022	.022
Trans.	.007	.007
Brakes	.004	.004
Misc. Maint.	.007	.007
Oil	.015	.015
Batteries	.001	.001
Trailer, point, floors	.006	.006
Taxes	.009	.009
Indirect	<u>.009</u>	<u>.009</u>
	\$.166 per mile	\$.176 per mile

The witness explained that a wage had been assigned to the partners for driving the units in the details supporting the cost factor breakdown and that the manpower cost included the cost of a driver and one man. He also explained that the difference between the northbound and southbound variable costs was attributable to the differences in the terrain—the southbound hauls being over more mountainous terrain. Round-trip costs rather than one-way costs were used. Exhibit 7 shows a contrast between the round-trip cost per ton and the proposed revenue per ton from Bakersfield to each of 41 selected points located north and south of Bakersfield, and in each instance there was a net profit accruing to applicants. An extract of Exhibit 7 showing the first four destination points listed on the exhibit reveals that on the four hauls shown, which range between 121 and 279 miles, applicant would net per ton 71 cents, 41 cents, 46 cents, and 43 cents, respectively. Other exhibits show that the proposed rates are lower than the applicable minimum rates and the applicable incentive volume rates. The witness explained that he grouped naturally situated metropolitan zones together as a basis for formulating the proposed rates and that he arrived at the various levels of rates using applicant's costs plus 8 percent. For example, in Appendix B, the first haul costed at \$9.05 and to that figure was added 8 percent, total \$9.77. The same arithmetical procedure was used in arriving at the level of each of the rates in the proposed scale.

The application was served on the California Trucking Association's offices in Burlingame and Los Angeles and was noticed in the Commission's Daily Calendar of June 26, 1973. No objections as such were received to the granting of the applications though the Commission's staff objected to certain of the proposed rates originally set out in the application as being in violation of the long- and short-haul section of the Public Utilities Code (Section 460). These objections were satisfied by the introduction of a new scale of rates by Mr. Ollweiler, correcting such deficiencies and are reflected in Appendix A.

After consideration, the Commission finds that the rates proposed to be charged are reasonable and compensatory; that the application should be granted in the manner set forth in the ensuing order; and that since transportation conditions may change, the authority granted should be made subject to an expiration date of one year from the effective date of this order.

O R D E R

IT IS ORDERED that:

1. Jerry T. and Millard F. Kern, doing business as Kern Bros., are authorized to deviate from the applicable minimum rates and rules set forth in Minimum Rate Tariff 2 for the transportation of carbon coke for Amax Carbon Products, Inc. between Bakersfield and points within 500 miles of Bakersfield but only to the extent and at no less than the rates set out in Appendix A.

2. The authority granted herein shall expire one year from the effective date of this order.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 30th day of OCTOBER, 1973.

William L. Sturges
President
William J. Moran

Commissioners

Commissioner J. P. Vukasin, Jr., being necessarily absent, did not participate in the disposition of this proceeding.

-6- Commissioner Thomas Moran, being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A
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JERRY T. and MILLARD F. KERN
dba KERN BROS.

RULES AND REGULATIONS

Application of rates by Jerry T. and Millard F. Kern doing business as Kern Bros. for Amax Carbon Products, Inc.

1. Commodity - Carbon coke.
2. Territory - Between the plant of Amax Carbon Products, Inc. at or near Bakersfield, California to points and places in California within 500 miles of the plant of Amax Carbon Products, Inc. Said mileage to be computed in accordance with the provisions of the Commission Distance Table No. 7, or successive issues thereof.

To Points in the San Francisco Bay
Area Taking MZ Numbers 101-135

<u>MZ</u>	<u>Rate Per Net Ton</u>	<u>MZ</u>	<u>Rate Per Net Ton</u>
101	\$10.21	119	\$9.56
102	10.21	120	9.56
103	10.21	121	9.56
104	9.88	122	9.56
105	9.88	123	9.56
106	9.88	124	9.56
107	9.88	125	9.56
108	9.72	126	9.56
109	9.72	127	9.56
110	9.72	128	9.56
111	9.72	129	9.56
112	10.21	130	9.56
113	9.72	131	9.56
114	9.72	132	9.56
115	9.56	133	9.56
116	9.56	134	9.56
117	9.56	135	9.88
118	9.56		

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Taking MZ Numbers 201-262

<u>MZ</u>	<u>Rate Per Net Ton</u>	<u>MZ</u>	<u>Rate Per Net Ton</u>
201	\$5.25	232	\$5.66
202	5.25	233	5.66
203	5.25	234	5.77
204	5.25	235	5.77
205	5.25	236	5.77
206	5.25	237	6.08
207	5.77	238	6.08
208	5.77	239	6.08
209	6.08	240	5.66
210	6.08	241	5.66
211	6.08	242	5.77
212	5.25	243	5.77
213	5.25	244	6.27
214	5.25	245	6.27
215	5.25	246	6.27
216	5.66	247	6.08
217	5.25	248	6.08
218	5.77	249	6.08
219	5.77	250	6.08
220	5.77	251	6.08
221	6.08	252	6.08
222	6.08	253	6.27
223	5.66	254	6.27
224	5.66	255	6.27
225	5.66	256	6.27
226	5.66	257	6.27
227	5.66	258	6.27
228	5.77	259	6.27
229	5.77	260	6.27
230	5.77	261	6.27
231	5.66	262	6.27

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To Points in California, Except Those
Taking MZ Numbers 101-135, or 201-262

<u>Mileage</u>	<u>Rate Per Net Ton</u>	<u>Mileage</u>	<u>Rate Per Net Ton</u>
1 - 50	\$3.25	271 - 280	\$ 9.56
51 - 60	3.58	281 - 290	9.72
61 - 70	3.90	291 - 300	9.88
71 - 80	4.25	301 - 310	10.01
81 - 90	4.57	311 - 320	10.21
91 - 100	4.90	321 - 330	10.50
101 - 110	5.25	331 - 340	10.78
111 - 120	5.45	341 - 350	11.05
121 - 130	5.66	351 - 360	11.35
131 - 140	5.77	361 - 370	11.65
141 - 150	6.08	371 - 380	12.00
151 - 160	6.27	381 - 390	12.30
161 - 170	6.52	391 - 400	12.60
171 - 180	6.79	401 - 410	12.91
181 - 190	7.05	411 - 420	13.20
191 - 200	7.37	421 - 430	13.50
201 - 210	7.61	431 - 440	13.81
211 - 220	7.93	441 - 450	14.10
221 - 230	8.22	451 - 460	14.40
231 - 240	8.45	461 - 470	14.70
241 - 250	8.78	471 - 480	15.00
251 - 260	9.11	481 - 490	15.35
261 - 270	9.33	491 - 500	15.70

Note 1 - The minimum weight shall be 48,000 pounds.

Note 2 - One split delivery in addition to the final delivery will be permitted on each shipment.

A. The rate for transportation of a split delivery shall be determined and applied as follows:

Distance rates shall be determined by the distance from point of origin to that point of destination which produces the shortest distance via the split delivery point using Public Utilities Commission of the State of California Distance Table No. 7, or successive issues thereof.

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B. In addition to the rate for transportation an additional charge of \$15.00 will be assessed for split delivery service.

Note 3 - Except as otherwise provided herein, the provisions of Minimum Rate Tariff 2 shall apply.

APPENDIX B

Extract From Exhibit 7 - Specific Point Cost Analysis

Total Cost = Manpower + Fixed + Variable Costs

Manpower @ \$6.96 per hour

Fixed Cost @ \$28.95 per trip

Variable Costs @

\$.166 per mile - Northbound

\$.176 per mile - Southbound

<u>Destination</u>		<u>Actual Mileage</u>	<u>Constructed Mileage</u>	<u>Service Time (Hours)</u>	<u>MZ</u>
Alameda	N	279	290	13.75	111,113
Alhambra	S	121	133	8.25	219,230
Anaheim	S	137	153	8.75	
Compton	S	124	135	8.25	242,243, 248

<u>Manpower Cost*</u>	<u>Fixed Cost</u>	<u>Variable Cost**</u>	<u>Total Cost</u>	<u>Cost Per Net Ton.</u>	<u>Rate Per Net Ton</u>
\$95.70	\$28.95	\$92.63	\$217.28	\$9.05	\$9.77
57.42	28.95	42.59	128.96	5.37	5.80
60.90	28.95	48.22	138.07	5.75	6.21
57.42	28.95	43.65	130.02	5.42	5.85

*Manpower Cost = Hourly Rate x Service Time.

**Variable Cost = Per Mile Cost x Round Trip Mileage.