

Decision No. 82891

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Southcoast
Freight Bureau for Authority to
Increase California Freight Rates
and Charges to Cover Fuel Cost
Increases.

Application No. 54826
(Filed April 25, 1974)

And Related Matters.

Case No. 5330
Case No. 5432
Case No. 5433
Case No. 5436
Case No. 5437
Case No. 5438
Case No. 5439
Case No. 5440
Case No. 5441
Case No. 5603
Case No. 5604
Case No. 7857
Case No. 7858
Case No. 8808

OPINION AND ORDER

By this application Pacific Southcoast Freight Bureau seeks authority, on behalf of the California rail carriers,^{1/} to increase from 2.5 percent to 3.0 percent the surcharge currently in effect on California intrastate traffic because of increased fuel costs.^{2/} Applicant asks for authority to depart from the long- and short-haul provisions of Section 460 of the Public Utilities Code

^{1/} The rail carriers are listed in Exhibit A attached to the application.

^{2/} The 2.5 percent surcharge was authorized pursuant to Decision No. 82692 dated April 2, 1974 in Application No. 54717.

and the terms of General Order No. 125 to the extent necessary to allow publication of the proposed increases in the same form as that authorized by the Interstate Commerce Commission. Applicant also requests that the proposed increases be made effective at the earliest possible date.

Applicant states that, due to increases in fuel costs, the rates for the transportation of property by the rail carriers in interstate traffic are subject to a surcharge of 3.0 percent as of May 17, 1974, pursuant to I.C.C. Permission 74-1825, as amended. Applicant alleges that the proposed surcharge would yield annual gross revenues of \$2,748,650 or about \$458,108 more than the current surcharge of 2.5 percent. Applicant declares that the proposed increase in the intrastate surcharge is necessary to offset further increases in fuel costs for railroad operations in California which have occurred between February 11 and April 11, 1974, and are presently being incurred.

Attached to the application as Exhibits B through N in support of the sought relief are systemwide balance sheets and profit and loss statements generally effective as of December 31, 1973 of the principal rail carriers. Also attached to the application as Exhibit P is an affidavit prepared by the assistant manager, Bureau of Transportation Research, Southern Pacific Transportation Company. Affiant avers that the preponderance of the California intrastate rail freight traffic is handled by Southern Pacific Transportation Company (SPT) and 95 percent is handled by SPT and the other four Class I railroads: The Atchison, Topeka and Santa Fe Railway Company, Northwestern Pacific Railroad Company, Union Pacific Railroad, and The Western Pacific Railroad Company (hereinafter referred to as the five California Class I roads).^{3/}

^{3/} A sixth Class I railroad operating in California is Burlington Northern but it handles only an insignificant amount of intrastate traffic.

Affiant contends that the average fuel prices charged western railroads increased from 14.09 cents per gallon on October 1, 1973 to 24.55 cents per gallon on April 11, 1974, or 74.24 percent. The weighted average cost per gallon of fuel delivered in California to the five Class I roads was 11.9 cents on October 1, 1973 and 24.4 cents on April 11, 1974, an increase of 105.04 percent. The increase in fuel costs since October 1, 1973, based on the western railroads' average of 74.24 percent, is currently costing the five Class I roads approximately \$3.6 million annually on their California intrastate freight traffic. Affiant alleges that it would require a 3.9 percent increase in intrastate freight rates and charges to offset this increase in expense and the proposed surcharge of 3.0 percent would fall short by some \$820,000.^{4/}

Findings

1. The Interstate Commerce Commission has authorized the applicant California rail carriers to increase their rates and charges generally 3.0 percent, effective May 17, 1974, to offset fuel cost increases as set forth in Tariff of Surcharges Account Increases in Fuel Costs X-301-C.
2. The Class I roads have demonstrated that from October 1, 1973 to April 11, 1974 they have experienced a \$3,569,148 increase in their California intrastate fuel expenses.
3. The present level of California intrastate rail freight rates and charges does not reflect the increase in fuel expenses experienced by applicant rail carriers since October 1, 1973 up to and including April 11, 1974.
4. The Class I roads have shown that the sought increase is expected to generate \$2,748,650 in additional revenues to offset fuel cost increases amounting to \$3,569,148 resulting in a deficit of \$820,498.

^{4/} The method of calculating the additional fuel cost and revenue offset is outlined in detail in the affidavit attached to the application.

5. To the extent that the increases sought in Application No. 54826 do not exceed the like increases previously authorized for interstate traffic, as set forth in Tariff of Surcharges Account Increases in Fuel Costs X-301-C, such increases have been shown to be justified for application on California intrastate traffic.

6. The rates and charges of highway common carriers and other common carriers published and maintained on the level of the present railroad carload rates, under the alternative-application-of-common-carrier rate provisions set forth in the several minimum rate tariffs of the Commission, are insufficient, unreasonable, and not justified by transportation conditions to the extent such rates and charges are both lower than the increased rail carload rates and below the applicable minimum rates.

Conclusions

1. Pacific Southcoast Freight Bureau, on behalf of the California rail carriers listed in Application No. 54826, should be authorized to establish by appropriate tariff supplement the same increases on California intrastate traffic as are now authorized for interstate traffic as set forth in Tariff of Surcharges Account Increases in Fuel Costs X-301-C.

2. Common carriers maintaining rates based on rail rates should be authorized and directed to increase those rates to the level of the increased rail rates or the level of the otherwise applicable minimum rates, whichever is lower.

3. Common carriers maintaining rates based on rail rates which have been canceled or changed should be required to adjust their rates to conform to the changed rail rates or to the minimum rates otherwise applicable.

4. Applicant and common carriers should be authorized to depart from the provisions of Section 460 of the Public Utilities Code and from the terms and rules of General Orders Nos. 80-Series and 125 to the extent necessary to establish the increased rates authorized or required herein.

IT IS ORDERED that:

1. Pacific Southcoast Freight Bureau, on behalf of the rail carriers listed in Application No. 54826, is authorized to establish by appropriate tariff supplement the same increases in California intrastate rates and charges under the same conditions as now authorized for interstate traffic as set forth in Tariff of Surcharges Account Increases in Fuel Costs X-301-C.

2. Tariff publications authorized to be made as a result of the foregoing authority 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, and said authority shall expire unless exercised within sixty days after the effective date of this order. To the extent that departure from the terms and rules of General Orders Nos. 80-Series and 125 is required to accomplish such publications, authority for such departure is hereby granted.

3. The authority set forth herein is granted subject to the express condition that applicant and the carriers on whose behalf it is participating herein will never urge before the Commission in any proceeding under Section 734 of the Public Utilities Code, or in any other proceeding, that the opinion and order herein constitute a finding of fact of the reasonableness of any particular rate or charge. The filing of rates pursuant to the authority herein granted constitutes an acceptance by applicant and said carriers as a consent to this condition.

4. Common carriers maintaining, under outstanding authorization permitting the alternative use of rail rates, rates below the specific minimum rate levels otherwise applicable are authorized and directed to increase such rates to the level of the rail rates established pursuant to the authority granted in paragraph 1 hereof or to the level of the otherwise applicable specific minimum rates, whichever is lower. To the extent such common carriers have maintained such rates at differentials above previously existing rail rates, they are authorized to increase such rates by the amounts authorized in paragraph 1 hereof, provided, however, that such increased rates may not be lower than the rates established by the rail lines pursuant to the authority granted in paragraph 1 hereof, nor higher than the otherwise applicable minimum rates.

5. Common carriers maintaining, under outstanding authorization permitting the alternative use of rail rates, rates based on rail rates which have been changed or canceled and which are below the specific minimum rate levels otherwise applicable are hereby directed to increase such rates to applicable minimum rate levels and to abstain from publishing or maintaining in their tariff rates, charges, rules, and accessorial charges lower in volume or effect than those established in rail tariffs or the applicable minimum rates, whichever are lower.

6. Tariff publications required or authorized to be made by common carriers as a result of paragraph 4 hereof may be made effective not earlier than the fifth day after the publication by applicant made pursuant to the authority granted in paragraph 1 hereof, on not less than five days' notice to the Commission and to the public; and such tariff publications as are required shall be made effective not later than thirty days after the effective date of the tariff publications made by applicant pursuant to the authority granted in said paragraph 1.

7. Tariff publications required to be made by common carriers, as a result of paragraph 5 hereof, may be made effective not earlier than the effective date of this order on not less than five days' notice to the Commission and to the public and shall be made effective not later than thirty days after the effective date of this order.

8. In making tariff publications authorized or required by paragraphs 4 through 7, inclusive, common carriers are authorized to depart from the terms and rules of General Order No. 80-Series to the extent necessary to comply with said ordering paragraphs.

9. Applicant and common carriers, in establishing and maintaining the rates authorized hereinabove, are authorized to depart from the provisions of Section 460 of the Public Utilities Code to the extent necessary to adjust long- and short-haul departures now maintained under outstanding authorizations; such outstanding authorizations are hereby modified only to the extent necessary to comply with this order; and schedules containing the rates published under this authority shall make reference to the prior orders authorizing long- and short-haul departures and to this order.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 21st
day of MAY, 1974.

Vermon L. Thompson
President
William J. Sullivan
[Signature]
[Signature]
Commissioners

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

-7- Commissioner D. W. Holmes, being necessarily absent, did not participate in the disposition of this proceeding.