

Decision No. 82905**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Investigation into the rates, rules, regulations, charges, allowances and practices of all highway carriers relating to the transportation of any and all commodities between and within all points and places in the State of California (including, but not limited to, transportation for which rates are provided in Minimum Rate Tariff No. 2).

Case No. 5432  
Petition for Modification  
No. 780  
(Filed December 14, 1973;  
amended February 1, 1974)

And Related Matters.

Case No. 5330, Petition No. 80  
Case No. 5433, Petition No. 49  
Case No. 5436, Petition No. 155  
Case No. 5437, Petition No. 259  
Case No. 5438, Petition No. 94  
Case No. 5439, Petition No. 199  
Case No. 5440, Petition No. 89  
Case No. 5441, Petition No. 286  
Case No. 5603, Petition No. 138  
Case No. 5604, Petition No. 41  
Case No. 6008, Petition No. 25  
Case No. 7783, Petition No. 85  
Case No. 7857, Petition No. 92  
Case No. 8808, Petition No. 26  
(Filed December 14, 1973;  
amended February 1, 1974)

(Appearances are listed in Appendix A)

#### INTERIM OPINION

The Commission on December 7, 1973, in Case No. 9641, ordered an investigation into the adequacy and reliability of the energy and fuel requirements of the regulated transportation industry in California. In response to the current energy and fuel crisis

within the transportation industry, the California Trucking Association (CTA) requested the Commission to issue an Order Setting Hearing in Case No. 5432 (Petition 780) et al., for the purpose of developing an expeditious method of adjusting the Commission's several minimum rate tariffs to reflect fuel cost increases as they occur, or within a short time thereafter.

To achieve these objectives the CTA requested that:

1. The Commission staff be directed to prepare:

(a) A summary of the studies underlying the current minimum rate tariffs indicating the level of fuel costs presently reflected in the minimum rates, the percentage relationship of such costs to total costs, and the current level of fuel costs experienced by the for-hire carriers operating under the provisions of each minimum rate tariff.

(b) A recommendation for a revised method to reflect fuel cost increases in the several minimum rate tariffs.

2. The Commission order increases in its minimum rates to reflect increased fuel costs, and that the procedures requested in paragraph 1(b) above be established for expeditious adjustments in the minimum rates to reflect other increases in fuel costs as and when they occur in the future.

In Decision No. 82453 dated February 5, 1974 in Case No. 5432 (Petition 780) et al., the Commission found that "for-hire carriers have incurred unprecedented increases in fuel costs not currently reflected in the Commission's several minimum rate tariffs." The interim surcharge supplement and order issued in Decision No. 82453, amended Minimum Rate Tariffs 1-B, 2, 3-A, 4-B, 6-B, 7-A, 8, 9-B, 10, 11-A, 12, 13, 14-A, 15, 17-A, 18, 19, and 20 to provide that charges

resulting thereunder be increased by 3 percent (except as to accessorial service charges and charges resulting from the alternative use of railhead to railhead rates) as of February 11, 1974, pending hearing in these matters.

In lieu of issuing an Order Setting Hearing as requested by CTA, Petitions 780, et al., were consolidated for the receipt of evidence on a common record at public hearings held before Examiner Gagnon on January 21 and February 13 and 14, 1974 at San Francisco and February 15, 1974 at Los Angeles. On the latter date the proceeding was taken off calendar pending issuance of an interim decision relative to the evidence of record to date. Supplemental decisions and orders will be issued as future circumstances may require.

The Commission's Transportation Division staff initiated cost and rate economic studies that were responsive to CTA's sought overall objectives. At the initial hearing the staff presented preliminary cost and rate studies concerning the various methods by which fuel cost increases could be reflected in the several minimum rate tariffs. As a result of its preliminary investigation and study the staff notes that highway carriers have incurred substantial increases in their fuel costs. It is the staff's opinion that fuel cost increases are of such magnitude to justify fuel cost adjustments in the Commission's minimum rate tariffs. Accordingly, the staff recommended that:

1. The Commission modify its established cost offset procedures (Decision No. 76353, 70 CPUC 277) for minimum rate tariffs to include fuel price adjustments in addition to adjustments for taxes and labor costs.

2. In view of the present fuel crisis, interim adjustments in minimum rate tariffs, intermediate to basic labor offsets, be considered by the Commission to offset quantitative increased fuel costs.

At the further hearings in this proceeding, the staff endeavored to implement its preliminary recommendations. The staff completed its presentation of the historical cost studies underlying the existing level of the several minimum rate structures. The historical total costs, including fuel costs reflected therein, were then compared with the like total costs adjusted to reflect the effect of a 5-cent per gallon increase in fuel costs. Such comparisons were made for both less-truckload and truckload shipments transported 50 and 400 constructive miles. The resulting percentage relationships were then employed as the datum plane for suggested fuel cost surcharge offset procedures. The recommended fuel cost surcharge formulae are set forth in Appendix B.

The surcharge increases determined by the staff for a 5-cent fuel increase is predicated upon the staff's cost data of record. The surcharge increases developed by the staff's rate witness for a fuel price increase of 10 cents per gallon is the product of the cost information for a 5-cent fuel cost increase multiplied by 2. Similarly, the surcharge increase in the minimum rates for a 12-cent fuel increase is the product of a 10-cent fuel increase times 1.2. By utilizing the surcharge increase factors indicated in Appendix B for a 10-cent fuel increase the rate increase resulting from any other amount of fuel cost increase can readily be determined.

The staff's suggested surcharges to reflect a 12-cent fuel increase in the several minimum rate tariffs are, in some cases, higher and in other instances lower than the 3 percent surcharge established by Decision No. 82453. The staff recommends that there be no immediate adjustments in the current fuel cost offset surcharge of 3 percent. They recommend that the fuel cost increases be incorporated into the minimum rates at the first wage offset proceedings after imposition of the surcharge.

The Commission staff also presented a report (Exhibit 14) concerning the accessorial service charges set forth in the various minimum rate tariffs which should not be made subject to any fuel cost offset surcharge which may be established in the future. The CTA contends that such surcharge should be applied against the total resulting freight charges as a source of revenue to offset fuel cost increases. The specific application of any future emergency fuel cost offset surcharge that may be adopted for minimum rate purposes should be determined at the time such surcharge is under consideration.

The Commission's interim 3 percent surcharge supplement and order issued in Decision No. 82453 provides that such surcharge is "not applicable to accessorial service charges and railhead to railhead charges". It would facilitate the application of the current surcharge if the tariff items subject to the surcharge were referred to rather than the items not affected. Such a tariff listing is set forth in Appendix C.

The presentation by other parties, while not specifically referred to herein, have been carefully considered in the following findings and conclusion.

#### Findings

1. The Commission on December 7, 1973, in Case No. 9641, ordered an investigation into the adequacy and reliability of the energy and fuel requirements of the transportation industry in California.
2. Due to the existing nationwide energy crisis and the resulting fuel shortages and accelerating costs, the for-hire highway carriers operating intrastate within California have experienced unprecedented increases in their fuel costs.
3. The minimum rates prescribed by the Commission to govern the California intrastate transportation of property by for-hire highway carriers are established on the basis of extensive full-scale cost and rate economic studies.

4. In Decision No. 76353 (1969) 70 CPUC 277, the Commission found:

"3. The cost offset or datum plane method for adjusting rates has been shown to be an appropriate procedure for reflecting in the established minimum rates periodic changes in the cost factors...underlying the existing minimum rates.

\* \* \*

"5. The Commission should not adopt any particular cost offset method...and thereby preclude the use of other offset procedures which may be shown to be justified and preferable under the circumstances.

"6. The three cost offset methods...described herein as (1) Direct Wage Offset, (2) Wage Offset, and (3) Wage (Cost) Offset have been shown to be acceptable procedures..."

5. The cost offset procedures found acceptable in Decision No. 76353 are designed to reflect in the existing minimum rates periodic changes in taxes, labor, and allied payroll costs underlying the current level of minimum rates. Consideration of changes in such direct cost items as maintenance and repairs, tires, and fuel and oil was deferred until full scale studies are developed.

6. The California Trucking Association has requested the Commission to direct its staff to develop an expeditious method for adjusting the Commission's several minimum rate tariffs to reflect fuel cost increases as they occur, or within a reasonable short time thereafter.

7. By Decision No. 82453 dated February 5, 1974 in Case No. 5432 (Petition 780) et al., the Commission amended its several minimum rate tariffs to provide that charges resulting thereunder be increased by 3 percent (except as to accessorial service charges and charges resulting from the alternative use of railhead to railhead charges) as of February 11, 1974, pending hearing in this proceeding.

8. As a result of the existing energy crisis the highway carriers governed by the Commission's several minimum rate tariffs have experienced fuel cost increases of such magnitude as to justify fuel cost offset adjustments in the minimum rate tariffs as soon as such cost increases occur, or within a reasonable short time thereafter.

9. The Commission staff's recommendation that the cost offset procedures established by Decision No. 76353 be modified to include fuel price adjustments has been shown to be justified and should be adopted. The staff's recommendation that interim surcharge adjustments in minimum rate tariffs, intermediate to basic labor cost offsets, be considered by the Commission to offset fuel cost increases has also been shown to be justified and should be adopted.

10. The staff's fuel cost surcharge computations set forth in Appendix B have been shown to be an appropriate basis for implementing the staff's recommendation found justified in Finding 9.

11. The tariff sections and items of the Commission's several minimum rate tariffs referred to in Appendix C contain the rates and charges subject to the 3 percent fuel cost surcharge established by Decision No. 82453.

The Commission concludes that the petitions of the California Trucking Association in Case No. 5432 (Petition 780) et al. should be granted to the extent provided in the following order.

This proceeding should remain open to consider further interim decisions and orders as the circumstances may require.

INTERIM ORDER

IT IS ORDERED that:

1. The cost offset or datum plane methods found to be appropriate by Decision No. 76353 (1969), 70 CPUC 277, for reflecting in the established minimum rates the periodic changes in certain cost factors underlying the current level of such rates should give consideration during the present fuel emergency to like periodic adjustments in underlying fuel cost factors.

2. During the current emergency changes in fuel costs which occur between cost offset proceedings shall be reflected in the several minimum rate tariffs by the publication of an interim emergency fuel cost offset surcharge. Computation of such surcharge shall be predicated upon the fuel cost surcharge factors set forth in Appendix B.

3. The 3 percent interim emergency fuel cost offset surcharge established February 11, 1974 in Minimum Rate Tariffs 1-B, 2, 3-A, 4-B, 6-B, 7-A, 8, 9-B, 10, 11-A, 12, 13, 14-A, 15, 17-A, 18, 19, and 20 by Decision No. 82453 issued February 5, 1974 is hereby amended to provide that such surcharge will apply only to the charges resulting under the minimum rate tariff sections and items specifically set forth in Appendix C.

4. All other relief sought by the California Trucking Association in this proceeding is denied.

5. This proceeding shall remain open to consider further interim decisions and orders by the Commission as the existing circumstances surrounding the present fuel emergency may require.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 29<sup>th</sup> day of MAY, 1974.

Vernon L. Steiger  
President  
William J. Quinn  
Shirley M. Quinn  
Commissioners

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



APPENDIX A  
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LIST OF APPEARANCES

Petitioner: Richard W. Smith, Attorney at Law, and H. Hughes, for California Trucking Association.

Respondents: Knapp, Gill, Hibbert & Stevens, by Wyman C. Knapp, Attorney at Law, for Bekins Moving & Storage Co., Lyon Moving & Storage Co., United Van Lines, Inc., and NACAL, Inc.; Robert C. Johnson, also for Bekins Moving & Storage Co.; John C. Sutherland, for Haslett Co.; E. K. Anderson and Lee Pfister, for Willig Freight Lines; Armand Karp, for Rogers Motor Express; James A. Nevil, for California Moving & Storage Association and Nevil Storage Co.; Eleanore C. Hallsworth, for Robert F. Hallsworth Trucking; Betty M. Hunter, for John R. Hunter Trucking; Wayne Varozza and Joe MacDonald, for California Motor Express; J. H. Briggs, for PCP Transportation Co.; John McSweeney, for Delta Lines, Inc.; John Odoxta, for Shippers Imperial Inc.; Edward J. Maurer, for General Delivery Service; Dan Keeney, for Keeney Truck Lines; and Silver, Rosen, Fisher & Stecher, by Granville Harper, Attorney at Law, for General Overland Auto Transport.

Interested Parties: Fred R. Covington, Douglas J. Reynolds, and George Foster, for Kaiser Cement & Gypsum Corporation; Verne Wochnick, for Los Angeles Area Chamber of Commerce; E. O. Blackman, for California Dump Truck Owners Association; E. R. Rhodes, for Monolith Portland Cement Co.; Don B. Shields and Milton W. Flack, Attorney at Law, for Highway Carriers Association; Robert A. Kormel, for Pacific Gas and Electric Company; H. Wolff and P. W. Pollock, for Fibreboard Corporation; Asa Button, for Spreckels Sugar Division, Amstar Corporation; Charles K. Rivera, for California Grape & Tree Fruit League; Warren P. Mayhugh, for Mobil Oil Corp.; Howard W. Haage, for National Car Corporation; Robert Sheridan, for Morton Salt Co.; Thomas W. Anderson, for California Division, General Portland Inc.; Vernon Hampton, for Certain-Teed Products; J. M. Cunningham and W. A. Watkins, for Bethlehem Steel Corporation; Jess J. Butcher, for California Manufacturers Association; David Handel and Calhoun E. Jacobson, for Traffic Managers Conference of California; William D. Mayer, for Canners League of California; Gordon G. Gale, for the Clorox Company; George B. Shannon, for Southwestern Portland Cement Co.; William Mitze, for Riverside Cement Company; Robert R. Seifert, for Kaiser Steel Corporation; James R. Foote and G. Ralph Grago, for Associated Independent Owner-Operators, Inc.; Harry Phelan, for California Asphalt Pavement Association; J. Grant Vincent and

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Don Reining, for Southern California Rock Products Association;  
Scott J. Wilcott, Attorney at Law, for Conrock Co.; Norman I.  
Molaug, for J. C. Penny Company; James G. O'Neill, for Safeway  
Stores, Inc.; C. H. Caterino, for The Flintkote Co., Pioneer  
Division; Jon L. Sacchetti, for Shell Oil Company; W. T. Barklie,  
for California Portland Cement Co.; Charles T. Elkins, for Mattel  
Toys, Inc.; Lloyd E. Baumann, for The Standard Register Co.; Jack  
Aden, for Western Traffic Conference; and C. Fred Imhof, for  
Industrial Asphalt.

Commission Staff: Janice E. Kerr, Attorney at Law, Robert E. Walker,  
and Clyde T. Neary.

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Surcharge Increases  
To be Applied to the Commission's Several  
Minimum Rate Tariffs Based on a 5-, 10-, and  
12-Cent Increase Per Gallon in Fuel Costs

<u>Minimum Rate Tariff</u>	<u>% of Increase In Minimum Rates Based On a 5-Cent Increase in Fuel Costs</u>	<u>% of Increase In Minimum Rates Based On a 10-Cent Increase in Fuel Costs</u>	<u>% of Increase In Minimum Rates Based On a 12-Cent Increase in Fuel Costs</u>
2 LTL (Minimum Weight 10,000 lbs.)	$\frac{1}{2}$	1	1
TL	1	$1\frac{1}{2}$	$1\frac{1}{2}$
Sawmill refuse and wood chips	2	$4\frac{1}{2}$	5
1-B )	$\frac{1}{2}$	1	1
19 )			
9-B )			
3	$1\frac{1}{2}$	3	$3\frac{1}{2}$
4 Hourly	$\frac{1}{2}$	1	1
Distance	1	2	2
6-A	2	$4\frac{1}{2}$	5
7-A, 17-A, 20	$1\frac{1}{2}$	3	$3\frac{1}{2}$
8 LTL	1	$2\frac{1}{2}$	3
TL	$1\frac{1}{2}$	3	$3\frac{1}{2}$
10	2	4	$4\frac{1}{2}$
11-A	1	2	2
12	$1\frac{1}{2}$	3	$3\frac{1}{2}$
13	1	2	2
14	1	$2\frac{1}{2}$	3
18	$2\frac{1}{2}$	5	6

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<u>Minimum Rate Tariff</u>	<u>Amount of Increase In Minimum Rates Based On a 5-Cent Increase in Fuel Costs</u>	<u>Amount of Increase In Minimum Rates Based On a 10-Cent Increase in Fuel Costs</u>	<u>Amount of Increase In Minimum Rates Based On a 12-Cent Increase in Fuel Costs</u>
	(In Cents Per Mile)		
15 Items 120 (Par. a, mileage charge), 452 (mileage rates), 458, 482 (mileage rates), 488, 500 and 510 (Cents per mile)			
Trucks without trailers, 2 axle	$\frac{1}{2}$	1	$1\frac{1}{2}$
All other units of motor power equip- ment	1	2	$2\frac{1}{2}$

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(The following tariff sections and items contain  
the rates and charges to be increased by 3%  
in accordance with Decision No. 82453)

Minimum Rate Tariff 1-B

- Item 160 - Charges for Escort Services - mileage charges only  
in Paragraph (a)
- Item 270 - Minimum Charge
- Section 2 - Class Rates
- Section 3 - Commodity Rates (Except Notes in Items 840 & 850)
- Section 5 - Hourly Truck Rates

Minimum Rate Tariff 2

- Supplement 75 - Central Coastal Territory Surcharges
- Item 45, Section 2 (Increase resulting charge)
- Item 124 - Charges for Escort Service - mileage charge only in  
Paragraph (a)
- Item 149 - Small Shipment Service
- Item 150 - Minimum Charge
- Item 174 - Stringing Services (Except Note 3)
- Item 179-2 - Pool Shipments - Paragraphs (a) and (d) only
- Items 185-1 through 187-3 - Temperature Control Service (Increase  
resulting charge)
- Item 265 - Parcel Deliveries - (Except Note)
- Item 330.6 - Minimum Charge in Footnote (1)
- Sections 2, 3, and 3.5 - Class & Commodity Rates (Except the rates  
contained in Paragraph 2 of Item 653 $\frac{1}{2}$ ,  
Items 670, 720-1, 720-2, 755, and Note 1  
of Item 775.)

Minimum Rate Tariff 3-A

- Sections 2 and 3 - Livestock & Dairy Cattle Rates

Minimum Rate Tariff 4-B

- Item 330 - Hourly Rates (Except additional helpers, per man)

The application of surcharges in Supplement 26 to charges computed  
under:

- Items 300, 320, and 340 - Distance Rates
- Paragraph 1 of Item 360

Minimum Rate Tariff 7-A

- Section 2 - Distance Rates (Except Items 260 and 280)
- Section 3 - Hourly Rates
- Section 4 - Rates from Production Areas to Delivery Zones

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Minimum Rate Tariff 8

The application of surcharges in Supplement 40 to charges computed under:

- Item 155 - Refrigeration-Icing
- Item 157 - Refrigeration-Mechanical (Increase resulting charge)
- Item 160 - Minimum Charge
- Section 2 - Distance Commodity Rates (Except Note 7 of Item 309)
- Section 3 - Special Los Angeles Area Rates
- Section 4 - Special San Francisco Area and East Bay Area Rates

Minimum Rate Tariff 9-B

- Item 150 - Charges for Escort Service - mileage charge only in Paragraph (a)
- Item 210 - Minimum Charge
- Section 2 - Rate Bases and Rates (Except Note 2 of Item 420)
- Section 3 - Equipment Rates and Rules (Except Paragraph (e) of Item 500)

Minimum Rate Tariff 11-A

- Item 60 - Application of Rates
- Item 100 - Minimum Charge
- Section 3 - Rates
- Item 420 - Distance Incentive Rates (Except Note 4)

Minimum Rate Tariff 14-A

- Item 180 - Field Pickup Shipment
- Section 3 - Distance Commodity Rates
- Section 4 - Territorial Commodity Rates
- Section 5 - Distance Commodity Rates
- Section 6 - Distance Commodity Rates

Minimum Rate Tariff 15

- Section 2 - Base Yearly Vehicle Unit Rates (Except the additional charges in Footnotes (5), (6), (7), and Notes 3 and 4 of Item 200; and (8) and Notes 3 and 4 of Item 211)

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- Section 3 - Base Monthly Vehicle Unit Rates (Except the additional charges in Footnotes (5), (6), (7), and Notes 3 and 4 of Item 300, and (8) and Notes 3 and 4 of Item 311)
- Section 4 - Base Weekly Vehicle Unit Rates (Except the additional charges in Footnote (5) and Notes 3 and 4 of Item 400; Notes 3 and 4 of Item 411)
- Section 4-A - Hourly Vehicle Unit Rates (Except Note 2 of Item 451, Note 4 of Item 452, and Items 457 and 460)
- Section 4-B - Hourly Vehicle Unit Rates (Except Note 2 of Item 481, Note 4 of Item 482, and Items 487 and 490)
- Items 500 and 510 - Mileage Rates
- Item 520 - Daily Vehicle Unit Rates for Saturdays, Sundays and Holidays

Minimum Rate Tariff 17-A

- Item 120 - Application of Tariff-Rates-San Diego County Origins
- Item 300 - Computation of Charges - Returned or Diverted Shipments
- Item 320 - Computation of Charges for Shipments to Delivery Zones for which Specific Zone Rates are not provided.
- Item 340 - Computation of Charges for Shipments to Destinations Outside a System of Delivery Zones
- Item 480 - Rates for Dry Mixtures of Rock, Sand, and Gravel (with or without Cement) in Batches
- Sections 3 through 16 - Zone Rates

Minimum Rate Tariff 18

- Item 240 - Charges for Escort Service - mileage charges only in Paragraph (b)1
- Item 285 - Carrier Consolidated Service
- Section 2 - Rates

Minimum Rate Tariff 19

- Item 104 - Charges for Escort Service - mileage charges only in Paragraph (a)
- Item 200 - Minimum Charges
- Section 3 - Class Rates
- Section 4 - Commodity Rates (Except Note in Item 425, and (2) in Item 460)
- Section 5 - Hourly Rates
- Item 590 - Special Rates (Except Note 2)

Minimum Rate Tariff 20

- Item 140 - Application of Tariff Types of Equipment
- Item 300 - Computation of Charges for Shipments to Delivery Zones for which Specific Zone Rates are not provided
- Item 320 - Computation of Charges for Shipments to Destinations Outside a System of Delivery Zones
- Item 340 - Computation of Charges - Returned or Diverted Shipments
- Sections 2 through 6 - Zone Rates