

Decision No. 84837

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
BAY CITIES TRANSPORTATION 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. 54957
(Filed June 10, 1974;
amended August 12, 1974
and April 16, 1975)

Loughran & Hegarty, by Frank Loughran
and Tom M. Loughran, Attorneys at
Law, for applicant.
Robert A. Korbel, for Pacific Gas and
Electric Company, interested party.
William J. Jennings, Attorney at Law,
John F. Specht, and Milton DeBarr,
for the Commission staff.

O P I N I O N

By this application, as amended on August 12, 1974, the River Lines Company requested ex parte authority to increase its bulk petroleum tariff rates and charges by 20 percent. Decision No. 83592 issued October 16, 1974 in this proceeding granted River Lines interim authority to increase its rates by 10 percent pending public hearing. In Decision No. 83865 dated December 28, 1974 in Application No. 55364 River Lines was authorized to sell and transfer its operating rights and property on or before December 30, 1974 to Bay Cities Transportation Company (Bay Cities), a wholly owned affiliate of the Crowley Maritime Corporation (CMC). Pursuant to the Commission's order in Decision No. 84271 issued April 1, 1975 in this proceeding, Bay Cities was substituted in place of the River Lines Company as the party applicant in Application No. 54957.

Bay Cities is engaged in the business of providing various maritime services. The United River Lines Division (formerly the River Lines Company) of Bay Cities is engaged solely in the transportation of petroleum and petroleum products, in bulk, as a common carrier by water. The bulk petroleum service of the United River Lines Division commenced on December 31, 1974 pursuant to Decision No. 83865. That decision also authorized Bay Cities to adopt and publish the rates of River Lines as set forth in the latter's Local Freight Tariff No. 7.^{1/} Bay Cities now seeks authority to first retain the 10 percent interim increase in rates reflected in its Tariff No. 7-A and then further increase the resulting rates by an additional 20 percent.

Public hearing of Application No. 54957, as amended, was held before Examiner Gagnon at San Francisco on June 16 and 17, 1975. No one appeared in opposition to the sought relief.

Bay Cities employed the services of a certified public accountant to develop and present various financial statements designed to show the operating results of its United River Lines Division under present and proposed rates for a projected 1975 test year. A summary of the anticipated results of operations follows:

^{1/} Now published in Bay Cities Transportation Company (United River Lines Division) Local Freight Tariff No. 7-A.

TABLE 1

BAY CITIES TRANSPORTATION COMPANY
(UNITED RIVER LINES DIVISION)

Petroleum and Petroleum Products in Bulk
1975 Adjusted Operating Results at Present and Proposed Rates
(Unaudited)

	1975 Operating Results <u>Present Rates</u>	1975 Operating Results <u>Proposed Rates</u>	
<u>Operating revenues</u>			
Bulk petroleum products	\$2,597,980	\$3,117,576	(Note 1)
<u>Direct operating expenses</u>			
Crew wages	978,422	978,422	(Note 2)
Payroll taxes and benefits	306,434	306,434	(Note 3)
Repairs and maintenance	291,250	291,250	(Note 4)
Depreciation	96,899	96,899	(Note 5)
Towage	-	-	(Note 6)
Charter	147,314	147,314	(Note 7)
Fuel and lube	141,039	141,039	(Note 8)
Wharfage and dockage	34,591	34,591	(Note 9)
Insurance	203,055	203,055	(Note 10)
Property taxes	6,000	6,000	(Note 11)
Operating supplies	52,415	52,415	(Note 12)
Other operating expense	30,530	30,530	(Note 13)
Total direct operating exp.	2,287,949	2,287,949	
<u>General and administrative expenses</u>			
Officer's salaries	-	-	(Note 14)
Administrative salaries	265,825	265,825	(Note 15)
Payroll taxes and benefits	115,955	115,955	(Note 15)
Travel and entertainment	15,000	15,000	(Note 15)
Printing and stationery	13,493	13,493	(Note 15)
Professional services	22,026	22,026	(Note 15)
Rent and insurance	24,000	24,000	(Note 15)
Utilities	23,185	23,185	(Note 15)
Taxes	7,645	7,645	(Note 15)
Other	49,000	49,000	(Note 15)
Total genl. & adm. exp.	536,129	536,129	
Total operating expenses	2,824,078	2,824,078	
Operating income (loss)	(226,098)	293,498	
Operating ratio	108.7%	90.5%	

The accountant's note references which explain the bases for his adjusted results of operations shown in Table 1 are:

Note 1. 1975 revenue projected as follows:

a. Actual January-October 1974 plus 10% to reflect increases granted November 1974 by Decision No. 83592:

\$2,017,699 plus \$201,770 = \$2,219,469

b. Actual November-December 1974 = 462,511
\$2,681,980

c. Less revenue from estimated loss of volume of traffic (84,000)
\$2,597,980

Note 2. Crew wages adjusted as follows:

a. 1974 wages decreased by 3-1/2% because of loss of traffic as stated in Note 1.

Less \$867,069
(30,347)
\$836,722

b. Additional labor included in 1975 in lieu of towage expense reported in 1974 prior to merger of River Lines and Bay Cities.

\$836,722
40,000
\$876,722

c. Total 1974 wages increased by 11.6% based on analysis of labor contracts = \$101,700 & \$876,722 = \$978,422.

Note 3. Payroll taxes and benefits increased by 9.5% based on analysis of labor contracts.

Note 4. Repairs for 1974 increased as follows:

\$239,250
(45,000)
\$194,250
29,000
\$223,250
3,000
\$226,250
65,000
\$291,250

less extraordinary repairs in 1974

plus 15% estimated for labor and materials

plus additional repairs included in lieu of towage per Note 2b.

additional repairs due to use of larger pusher tugs owned by CMC affiliates.

- Note 5. Depreciation schedule (Exhibit 3, page 5).
 Note 6. Towage replaced by actual tug costs in 1975.
 Note 7. Chartered barges (100% use), chartered tugs (40% use), pursuant to bare boat charter agreements (Exhibit 3, page 8).
 Note 8. Fuel and lube decreased by 3-1/2% due to loss of volume and increased \$6,000 in lieu of towage expense, per Note 2b.

	\$139,938
Less	(4,899)
	<u>\$135,039</u>
Add	6,000
	<u>\$141,039</u>

- Note 9. Wharfage and dockage increased by 33-1/3% based on invoices from San Francisco Port Authority and Port of Oakland.
 Note 10. Insurance decreased by \$30,000 to reflect River Lines equipment inclusion under CMC policies and increased by 1-1/2% of the assessed value of insured equipment to account for self-insurance deductible.
 Note 11. Property taxes increased nominally from \$5,610 to \$6,000.
 Note 12. Supplies increased by 10% due to estimated increases in cost of deck and engine supplies from \$47,715 to \$52,415.
 Note 13. Other expense increased by 10% from \$27,755 to \$30,530.
 Note 14. Officers' salaries absorbed into administrative salaries.
 Note 15. Projected administrative costs include 100% of Richmond District expenses, a corporate allocation based on operating expense - administrative percentages; and 5% of Pier 41 administrative expenses.

	<u>Richmond</u>	<u>Corporate</u>	<u>5% Pier 41</u>
Administrative salaries	\$192,300	\$49,712	\$23,813
Payroll taxes and benefits	84,900	17,223	13,832
Travel and entertainment	7,900	4,264	2,836
Printing and stationery	9,400	2,693	1,400
Professional services	12,100	7,387	2,539
Rent and insurance	16,900	2,790	4,310
Utilities	18,600	1,885	2,700
Taxes	6,000	950	695
Other	36,300	7,100	5,600
	<u>\$384,400</u>	<u>\$94,004</u>	<u>\$57,725</u>

This projection includes 100% of Richmond expenses which apply exclusively to bulk petroleum operations.

Five percent of the San Francisco Pier 41 administrative expense has been allocated to this function to reflect forecast increased utilization of Harbor tugs dispatched from this location.

The corporate allocation is forecast at 1.49% per attached schedule:

Richmond Office (Including Minnis, Watson at Pier 50)
(100%) to the Bulk Liquid Function)

Following are corporate forecast costs:

- (1) Administrative salaries and related payroll taxes and benefits:

Salaries	\$192,300
Payroll taxes	84,900

- (2) All other costs (\$107,200) are forecast at essentially 1974 levels and 10% to account for cost increases.

Pier 41 (Dispatch location for Harbor Tug & Barge pusher Tugs):

Allocation of 5% of office costs reflects management's estimate of the portion of effort given the Richmond Bulk Liquid Function by Pier 41 personnel.

Corporate Allocation:

Projected CMC administrative expenses 1975	\$6,309,000
1.49% for this function	94,004

Services provided by CMC include accounting, legal, engineering, contracting, personnel, and labor relations and commonly shared corporate functions.

The accountant explained that his projected operations for Bay Cities (United River Lines Division) for the 1975 test year are first predicated upon an up-date of the 1974 operating results of the former River Lines Company, modified to reflect the additional changes necessitated by its subsequent acquisition and merger into the operations of Bay Cities. The 1975 results of operations for the United River Lines Division are expected to reflect an operating ratio of 108.7 percent under present rates and 90.5 percent under the proposed rates. The accountant also determined that the United River Lines Division will achieve earnings sufficient to yield a 10.5 percent rate of return under the sought rate proposal.

The accountant next computed the anticipated results of operations for the 1975 test year based upon a projection of United River Lines Division's actual operating results for the 4-month period ending April 30, 1975. A summary of the accountant's supplemental computations follows:

TABLE 2

BAY CITIES TRANSPORTATION COMPANY
(UNITED RIVER LINES DIVISION)

Petroleum and Petroleum Products in Bulk
Operating Results at Present Rates
(Unaudited)
(January 1, 1975 - April 30, 1975)

	Actual Jan. - Apr.	12 Months Projected
<u>Operating revenues</u>		
Bulk petroleum products	\$853,754	\$2,561,262
<u>Direct operating expenses</u>		
Crew wages	290,328	915,633
Payroll taxes and benefits	96,776	287,564
Repairs and maintenance	105,089	315,267
Depreciation	28,215	86,406
Charter	57,631	172,893
Fuel and lube	46,595	139,785
Wharfage and dockage	9,142	27,426
Insurance	81,180	243,540
Property taxes	-	6,000
Operating supplies	14,712	44,136
Other operating expenses	6,811	20,433
Total direct operating expenses	736,479	2,259,083
<u>General and administrative expenses</u>		
Administrative salaries	92,715	278,145
Payroll taxes and benefits	40,305	120,915
Travel and entertainment	7,511	22,533
Printing and stationery	3,600	10,800
Professional services	18,499	55,497
Rent and insurance	10,999	32,997
Taxes	1,164	3,492
Other (Tel., Dues, Deprn.)	20,545	61,635
Total genl. & admin. expenses	195,338	586,014
Total operating expenses	931,817	2,845,097
Operating income (loss)	(78,063)	(283,835)
Operating ratio	109.14%	111.08%

When the actual results of operations for the first four months of 1975 are projected for a full test year, the accountant indicated that the United River Lines Division of Bay Cities will experience an operating ratio of 111.08 percent under present rates. This contemplated result of operations is somewhat less attractive than that initially determined (108.7%) by the accountant. However, it should be noted that the projected actual results of operations reflect an additional adjustment for a June 1, 1975 labor cost increase.

The circumstances surrounding the transportation of bulk petroleum by the United River Lines Division of Bay Cities were the subject of extensive cross-examination by the Commission staff. The accountant's numerous adjustments in operating revenues and expenses deemed essential to reflect the intricate intercorporate relationships of CMC and its several affiliated interests, including Bay Cities, on the one hand, and the transportation functions of the United River Lines Division of Bay Cities, on the other hand, were of particular concern to the staff. The difficulty experienced by the accountant to present for the first time all of the rather complex intercorporate functions contemplated in the projected day-to-day operations of the United River Lines Division of Bay Cities is fully recognized by the staff. The staff urges that in the future Bay Cities be required to clearly demonstrate with greater particularity than shown in this proceeding the specific supporting data underlying the intercorporate revenue and expense allocations credited to the United River Lines Division of Bay Cities. The staff further acknowledges that cost elements reflected in the level of rates adopted by the United River Lines Division have materially increased since they were last generally adjusted in 1972. Under the circumstances the staff takes no exception to the proposed 20 percent rate increase.

Findings

1. The River Lines Company tariff rates and charges were last generally adjusted by Decision No. 80614 dated October 17, 1972 in Application No. 53352. Since that time the River Lines experienced substantial increases in its cost of operations, especially for labor and allied payroll expenses.

2. Pursuant to Decision No. 83592 issued October 16, 1974 in this proceeding River Lines was granted interim ex parte authority to increase its bulk petroleum tariff rates by 10 percent pending public hearing.

3. By Decision No. 83865 dated December 28, 1974 in Application No. 55364 River Lines was authorized to sell and transfer its operating rights and property on or before December 30, 1974 to Bay Cities Transportation Company (Bay Cities), a wholly owned affiliate of the Crowley Maritime Corporation (CMC). Pursuant to the Commission's order in Decision No. 84271 issued April 1, 1975 in this proceeding Bay Cities was substituted in place of the River Lines Company as the party applicant in Application No. 54957, as amended.

4. The United River Lines Division of Bay Cities, the successor of River Lines, is engaged solely in the transportation of petroleum and petroleum products, in bulk, as a common carrier by water.

5. Bay Cities (United River Lines Division) adopted the tariff rates and charges (including the 10 percent interim surcharge granted by Decision No. 83592) and commenced operations on December 31, 1974.

6. Bay Cities (United River Lines Division) now requests authority to retain the present interim rate increase of 10 percent and thereafter increase the resulting revised tariff rates by an additional 20 percent in order to offset further increases in operating expenses, especially for labor and allied payroll expenses effective generally as of June 1, 1975.

7. A certified public accountant presented various financial statements demonstrating the projected operating results of Bay Cities (United River Lines Division) at present and proposed rates for a 1975 test year. Under present rates (including 10 percent interim surcharge) applicant is expected to experience an operating loss of \$226,098 and an operating ratio of 108.7 percent for the 1975 test year. At the proposed rates the accountant has determined that applicant's results of operations for the 1975 test year will reflect an operating income of \$293,498 and an operating ratio of 90.5 percent.

8. Applicant estimates its rate proposal will generate approximately \$520,000 in additional operating revenues and earnings sufficient to yield a 10.5 percent rate of return after taxes.

9. In light of its overall review and analysis of applicant's rate proposal the Commission staff does not oppose the sought increase. Applicant is placed on notice that in future rate proceedings it will be required to show with greater particularity the specific data relied upon to justify the internal corporate revenue and/or expense allocations credited to the United River Lines Division by the various wholly owned affiliated entities of CMC.

10. The sought increase of Bay Cities (United River Lines Division) tariff rates and charges has been shown to be justified by transportation conditions.

Conclusions

1. Bay Cities Transportation Company Application No. 54957, as amended, should be granted.

2. Applicant's request for short notice authority pursuant to Section 491 of the Public Utilities Code has been shown to be justified and should be granted.

O R D E R

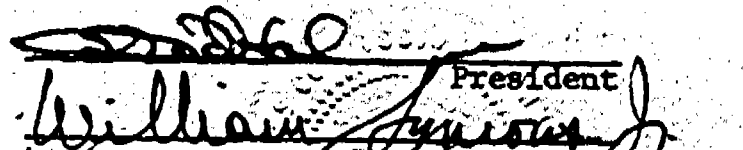
IT IS ORDERED that:


1. Bay Cities Transportation Company is authorized to establish the increased rates proposed in Application No. 54957, as amended. Tariff publications authorized to be made as a result of this order shall be filed and may be made effective not earlier than five days after the effective date of this order on not less than five days' notice to the Commission and to the public.


2. The authority shall expire unless exercised within ninety days after the effective date of this order.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 26th
day of AUGUST, 1975.



President




Commissioners