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ORIGINAL

Decision 93282 JUL 7 1981

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PACIFIC MESSENGER)
SERVICE, INC., for authority to)
increase certain package rates as)
set forth in PMSQ Tariff 3, Cal.)
P.U.C. 2, on less than statutory)
notice.)

Application 60407
(Filed March 30, 1981)

O P I N I O N

Pacific Messenger Service, Inc. (Pacific), a highway common carrier, seeks authority under Public Utilities (PU) Code §§ 454 and 491 to increase its parcel and package rates applicable within the greater San Diego metropolitan area. The application contains specific rate increases related to cost increases experienced by Pacific. In lieu of the specific rate adjustments, Pacific seeks a finding by the Commission that it be permitted to adjust its parcel rates and COD and weekly service charges pertaining to parcels annually either up or down from its existing published rates within a zone found just and reasonable of 24%, thus providing "an overall managerial discretionary vertical rate flow of 12 percent up or down", to remain in effect for a period of three years unless otherwise ordered by the Commission. Pacific also seeks authority to publish the increased rates on 10 days' notice to the Commission and to the public.

Pacific submits that the facts and circumstances described in the application adequately justify the requested "window"-type adjustment, as outlined in the preceding paragraph and the required finding that the increases are justified, under provisions of PU Code § 454.

Specific Rate Increases

The cost data set forth in the application are designed to support the specific rate increases described in paragraph VI of the application. The application states that in testing the reasonableness of the increases described in paragraph VI, Pacific analyzed the sources of its revenues, by tariff item as shown in its income statement set forth in Exhibit B to the application, covering the first eleven months of 1979. Pacific's analyses showed that on an annualized basis the specific increases described in paragraph VI would produce a revenue increase of 5.5% or \$73,440 when measured against Pacific's gross revenue for 1980 of \$1,606,347. For that portion of its business for which specific increases are sought (parcel transportation), the revenue increase is approximately 10%. The application shows that these parcel rates have not been increased since 1979.

The application describes the salary, wage, and terminal cost increases that Pacific has experienced in the last year or will experience in the near future. Giving effect to such operating cost increases and the specific rate increases described in paragraph VI of the application, Pacific's operations will produce the following pro forma results:

TABLE I

Pro Forma Income Statement

Revenue, 1980 Income Statement	\$1,606,347
Projected 1981 Revenue Increase	<u>73,440</u>
Projected Income, 1981	<u>\$1,679,787</u>
Expenses, 1980 Income Statement	\$1,572,111
Projected 1981 Expense Increases	<u>56,820</u>
Projected Expenses, 1981	<u>\$1,628,931</u>
Estimated Net Operating Income, 1981	<u>\$ 50,856</u>
Projected Operating Ratio, 1981	97.0%

The application states that, for comparison, Pacific's operation returned the following operating ratios for the years 1976 through 1980:

<u>Year</u>	<u>Operating Ratio</u>
1976	92.6 %
1977	93.4
1978	92.5
1979	98.9
1980	97.87

The application asserts that actual operating ratios for 1979 and 1980 were marginal.

It is clear from the revenue and expense projections summarized in Table I that the specific rate increases sought in the application are justified and should be granted.

Rate Window

Pacific requests, in lieu of the specific rate increases sought, a "rate window" which would permit it to raise or lower its rates by 12% from the rate levels currently in effect. As justification for the rate window, Pacific asserts that it has little or no control over increases in its indirect expenses and some of its operating expenses; therefore, it cannot accurately measure the impact of such increases at this time.

A rate window for common carrier rate increases and reductions is a relatively new concept which has not been fully explored by the Commission. We recently issued Order Instituting Rulemaking (OIR) 6 for the purpose of establishing procedures under which common carriers may publish and file rate changes using the rate window concept. Comments on the specific proposals of our Transportation Division staff distributed with OIR 6 are to be filed on or before July 31, 1981, after which we will make a determination whether to adopt the staff proposals.

Inasmuch as the rate window concept will be fully explored in OIR 6, and as we may not yet be aware of all of the issues concerning that concept, it would be premature to authorize a rate window to Pacific in this proceeding. That portion of the application should be denied. Pacific may adjust its rates using the rate window concept when appropriate rules are adopted in OIR 6.

Findings of Fact

1. Pacific seeks to increase its rates and charges for transportation of parcels to offset increases in its operating expenses.

2. Pacific will experience an annual revenue increase of \$74,440 from the rates and charges sought in paragraph VI of the application. Applicant projects that if such increased rates and charges are granted it will experience 1981 gross revenues of \$1,679,787, operating expenses of \$1,628,931 and net operating income of \$50,856, and an operating ratio of 97.0%.

3. The specific rate increases sought in paragraph VI of the application will be reasonable and are justified.

4. Pacific seeks, in lieu of the rate increases described in Finding 2, a rate window in which it may raise or lower its rates and charges by 12% without specific approval by the Commission.

5. The Commission has issued OIR 6 in which the staff has presented proposed rules to govern the filing of tariff changes by common carriers using the rate window concept.

6. As the revenue increases found reasonable are urgently needed the order should become effective on the date of signature.

7. The following order has no reasonably foreseeable impact upon the energy efficiency of highway carriers.

Conclusions of Law

1. The request for a rate window by applicant is premature until the Commission decides the issues raised in OIR 6.

2. The increases found justified should be granted. The balance of the application should be denied.

O R D E R

IT IS ORDERED that:

1. Pacific Messenger Service, Inc. is authorized to establish the increased rates and charges proposed in paragraph VI of Application 60407.

2. Tariffs may go into effect 5 or more days after the effective date of this order on not less than 5 days' notice to the Commission and the public.

3. The authority shall expire unless exercised within 90 days after the effective date of this order.

4. The relief requested in paragraph XII of the application is denied.

This order is effective today.

Dated JUL 7 1981, at San Francisco, California.

John S. Guyer
President
Lawrence W. Jenkins
Richard D. Gravelle
Prudence C. Green
Commissioners

Commissioner Richard D. Gravelle, being necessarily absent, did not participate in the disposition of this proceeding.