

BEFORE THE
PUBLIC SERVICE COMMISSION OF WISCONSIN

Petition of Wisconsin Motor Carriers)
Association (Petroleum Division) for)
Commission Determination of Minimum) MC-1573
Rates for Transportation of Petroleum)
Products in Bulk in Tank Trucks)

TO ALL TO WHOM THESE PRESENTS SHALL COME:

I, John F. Goetz, Jr., Acting Secretary of the Public Service Commission of Wisconsin, do hereby certify that I have compared the annexed copy of the decision with the original decision of the Public Service Commission of Wisconsin in the above-entitled matter, now on file in the office of said Commission, and that the same is a true copy of such original decision and of the whole thereof.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of said Commission at its office in the City of Madison, this 4th day of October A.D. 1957

John F. Goetz, Jr.
Acting Secretary

PUBLIC SERVICE COMMISSION OF WISCONSIN

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FINDINGS OF FACT AND ORDER

The Wisconsin Motor Carriers Association (Petroleum Division) on January 15, 1957 filed a petition with the Commission for "an investigation of the rates and charges of contract motor carriers of petroleum products in bulk in tank trucks, and upon such investigation and after hearing to prescribe a reasonable scale of minimum rates for general application by such contract carriers pursuant to its powers delegated by section 194.36(8), Statutes, . . .". In effect, the petition asks the Commission to modify its general order, Chapter PSC 16, Wisconsin Administrative Code, in particular section PSC 16.31(2)(c), to take jurisdiction over rates and tariff rules for motor transportation of petroleum products in bulk in tank trucks and to fix minimum rates therefor.

Pursuant to due notice published in the March 1957 notice section of the Wisconsin Administrative register, hearings were held at Madison on April 17, 1957 before Examiner Maurice H. Van Susteren, and on May 9, 1957 before Examiner Helmar A. Lewis.

Appearances:

Barry Transfer & Storage Co., Milwaukee
Bulk Transport Co., Burlington
Roger Debbon, Bonduel
Gordon Doine, Central Wisconsin Petroleum
Transport, Marshfield
Fond du Lac Petroleum Transportation
Co-op, Fond du Lac
James A. Hannah, Inc., Lemont, Ill.
Hillside Transit Co., Inc., Milwaukee
Carl Klemm, Klemm Oil Transport,
West De Pere
Rollo Knapp, Lancaster
Olson Transportation Co., Green Bay
Petroleum Transport, Inc., Madison
Merlin Schuh, Schuh Transport Co.,
Kaukauna
Schwerman Trucking Company, Milwaukee
O. A. Sorenson, Sorenson Bros. Transport,
Oconto
Clayton H. Ten Pas, Plymouth
Transport Delivery System, Wausau
Wheeler Tank Lines, Inc., Milwaukee
Indianhead Truck Lines, Inc.,
St. Paul, Minnesota, all by

Philip H. Porter, attorney
Madison and

John Varda (April 17)

As Interest May Appear:

Wisconsin Farm Truckers' Association by

J. T. Williams
Milwaukee

Midland Cooperative, Inc., by

William Libby, traffic manager
Minneapolis, Minnesota

Farmers Union Central Exchange by

G. L. Swenson
St. Paul, Minnesota

Continental Oil Company by

J. A. Chisholm
Chicago, Illinois

Of the Commission Staff:

A. W. Larson, chief, transportation division
I. A. Sherman, tariffs section

Findings of Fact

THE COMMISSION FINDS:

Prior to 1943, section 85.45(5), Statutes, limited the transportation by motor vehicle upon the public highways of gasoline, fuel oil, kerosene, or other inflammable liquids to quantities not exceeding 2,000 gallons. In cooperation with the Office of Defense Transportation and in furtherance of the war effort, this section was temporarily amended in 1943 (until 6 months after the termination of World War II) by eliminating the 2,000-gallon restriction. Subsequently, the temporary provisions were made final by elimination of the expiration date.

The daily production of crude oil in the United States has increased from 4,711,000 barrels in 1945 to 8,119,000 barrels in 1957. The transportation of petroleum products in bulk in tank trucks in Wisconsin has also increased greatly since the statutory limitation on the maximum amount of these commodities which may be loaded in a single vehicle has been relaxed. Such intrastate transportation in Wisconsin is performed almost entirely by private contract motor carriers licensed to serve individual shippers. Motor carriers now are hauling approximately 90% of the entire intrastate petroleum traffic.

Minimum scales of rates for the transportation by contract motor carriers of commodities generally, with certain exceptions, were prescribed by this Commission in docket MC-1, decided December 31, 1940, as amended February 5, 1941. (23 P.S.C.W. 285, 475). The rules and regulations governing such minimum rates are now set forth in chapter PSC 16, Wisconsin Administrative Code. At the time this order was entered,

it was found that certain classes of traffic did not require regulation to the same extent that others did. Accordingly, the transportation of commodities moved in bulk in tank trucks was exempted from rate regulation, but such carriers were required to file their rates in proper tariff form. (See sections PSC 16.31(2)(c) and PSC 16.34(1), Wisconsin Administrative Code.)

In conformity with the Commission's tariff requirements, contract motor carriers authorized to transport petroleum products have filed tariffs naming rates applicable thereto. Such tariffs generally name point-to-point rates, and contain a mileage scale of rates for application to points not specifically named in the tariff. Dependent upon the authority held by the carrier, rates have been published generally on 3 groups of petroleum products, designated Groups A, B, and C. Group A commodities generally include gasoline, naphtha, and blended gasoline. Group B commodities include Diesel fuel, fuel oil distillates Nos. 1, 2, and 3, kerosene, and refined oil (illuminating or burning); and Group C commodities generally include asphalt, road oil, the heavier fuel oils Nos. 4, 5, and 6, and lubricating oils. Asphalt and road oil are sometimes shown as Group D.

Since there has been no regulation of the level of rates applicable to the transportation of petroleum products in bulk in tank trucks by contract motor carriers, there is presently a great diversity in the rates of the various carriers, with many of them probably being below out-of-pocket costs. A scale of rates, known as the "Peoria Scale" was first used by Ruan Transport Co., and has subsequently been published by Petroleum Transport, Inc. This scale was used

for comparison with the rates of various carriers presently on file with the Commission. The mileage scales published in the tariffs of representative carriers are generally higher than the "Peoria scale," but many point-to-point rates have been published by these same carriers considerably below the level of the scale in order to meet the competition of other carriers.

The rates applicable on Group A commodities are the basic rates. In publishing rates on the heavier Group B commodities, the carriers have established lower minimum gallonage requirements and higher rates to produce approximately the same revenue for each minimum load obtained on Group A commodities. This has resulted in rates on Group B commodities generally 15-17% higher than those applicable to Group A commodities. Group C and D commodities generally require insulated equipment to keep them from solidifying during transit. Some rates on these commodities have been published on a cwt. basis, and others on a gallon basis. The minimum loading requirement is lower than that on Group B commodities, and the rates for a gallon are approximately 40% higher than those on Group A commodities.

The minimum loading requirements appear to vary with the size of the equipment operated by the carrier, with the result that there are numerous variations in the minimum load requirements of the carriers' tariffs.

In order to establish a uniform basis for the determination of rates, the applicant has proposed a mileage table. The table names distances from 7 terminal points to numerous Wisconsin destinations, arranged alphabetically. These distances were computed over the shortest routes between origin

and destination over highways considered practical for the transportation of petroleum products. The table, as submitted, is incomplete in that it does not show mileages between all origins and all destinations, and has a further infirmity of requiring modifications to reflect changes in highways, and in origin and destination points. A comparison of the proposed distances with the short-line distances shown on the 1957 Wisconsin highway map indicates that the proposed distances are generally greater, ranging up to 20% (Sheboygan to Watertown).

The airline-distance formula, originally prescribed by the Commission for use in the determination of rates and charges of contract motor carriers authorized to perform long-distance moving of household goods and business equipment, has been used satisfactorily by such carriers since 1939. It was adopted by the intrastate common motor carriers for the determination of joint-line rates in 1946, and subsequently for the determination of both their single- and joint-line rates. It provides a definite and nonchanging distance basis for the determination of transportation rates, and will be used in this proceeding in lieu of the proposed highway distance table. The publication by the Commission of the airline-distance formula would greatly simplify tariff publication by the individual carriers.

The applicant submitted a cost scale of distance rates based on an average load of 7,000 gallons. This cost scale was developed by analysis of the 1956 operating expenses for the transportation of petroleum products of four of the larger carriers, viz., Hillside Transit Co., Olson Transportation Co., Petroleum Transport, Inc., and Wheeler Tank Lines, Inc. (now Consolidated Freightways, Inc.). The expenses were

segregated to show "trip", "hourly", and "mileage" expenses, without adjustment to present-day prices. The mileage expense factor was applied to twice the number of miles in each mileage block to reflect both the loaded and return movement of the vehicle. The developed cost for one trip for each mileage block was then increased 8.8% to cover certain fixed costs and purchased transportation expense which were not otherwise included in the segregated expenses.

Analysis of this cost data and the proposed cost scale submitted by the applicant indicates that too much weight has been given terminal costs with the result that the scale is considered too high for distances to and including 120 miles, and too low for the greater distances. A comparison of the Peoria scale, the proposed cost scale, and the adjusted cost scale in cents per gallon for certain distances is as follows:

<u>Distance in miles</u>	<u>Peoria scale</u>	<u>Applicant's cost scale</u>	<u>Adjusted cost scale</u>
25	.347	.423	.384
50	.546	.621	.589
75	.725	.813	.794
100	.935	1.012	.999
125	1.155	1.204	1.208
150	1.386	1.403	1.409
175	1.628	1.602	1.614
200	1.859	1.800	1.819

Adaptation of the adjusted scale to the airline-distance formula appearing in Appendix I is a reasonable minimum scale of rates for the intrastate transportation of petroleum products by contract motor carriers.

The scale of rates set forth in section PSC 16.35, below, adapted to rate base numbers determined in accordance with the airline-distance formula, section PSC 16.36 attached as Appendix I, is a reasonable minimum scale of rates for the transportation of all petroleum products by intrastate contract

motor carriers, subject to a minimum load of 5,000 gallons except that when a tank truck having a capacity of less than 5,000 gallons is furnished for loading at carriers' convenience, the minimum loading required shall be the calibrated capacity of such tank truck.

Conclusions of Law

THE COMMISSION CONCLUDES:

1. That changed conditions with respect to the transportation of petroleum products warrant modification of section PSC 16.31(2)(c), Wisconsin Administrative Code, in the manner recommended.

2. That it has jurisdiction under sections 194.36(8) and 227.014, Wis. Stats., to issue an order modifying sections PSC 16.30 and PSC 16.31(2)(c) as proposed and adopting a rule prescribing the attached schedule of minimum rates for hauling petroleum products in bulk in tank trucks by contract motor carriers.

Order

THE COMMISSION THEREFORE ORDERS:

1. That, pursuant to authority vested in the Public Service Commission of Wisconsin by sections 194.36(8) and 227.014, Wis. Stats., the Commission hereby amends and adopts the following rules:

A. Sections PSC 16.30 and PSC 16.31(2)(c), Wisconsin Administrative Code, be and the same hereby are amended to read:

PSC 16.30 Contract motor carriers (other than household goods carriers); rate and tariff rules. Every contract motor carrier (other than household goods carriers) shall comply with section PSC 16.31 through section PSC 16.35, which set forth rate and tariff rules, unless otherwise specifically authorized by the commission, and except as provided in section PSC 16.31.

PSC 16.31(2)(c) Transporting liquid commodities, other than petroleum products, in bulk in tank trucks.

B. Sections PSC 16.35, and PSC 16.36, Wisconsin Administrative Code, be and the same hereby are created to read:

PSC 16.35 Contract motor carriers of petroleum products in bulk in tank trucks; minimum rates and charges. All contract motor carriers transporting petroleum products in bulk in tank trucks shall maintain and apply rates for such transportation not lower than the rates resulting under the following scale of minimum rates, determined in accordance with the airline-distance formula contained in section PSC 16.36, subject to a minimum charge based on 5,000 gallons at the applicable rate, except that when a tank truck having a capacity of less than 5,000 gallons is furnished for loading at carrier's convenience, the minimum charge shall be based on the applicable rate and the calibrated capacity of such tank truck.

Minimum Scale of Petroleum Rates
in Cents per Gallon.

<u>Rate Base Number</u>	<u>Scale</u>
1	0.302
2	0.3635
3	0.4250
4	0.4865
5	0.5480
6	0.6095
7	0.6710
8	0.7325
9	0.7940
10	0.8555
11	0.9170
12	0.9785
13	1.0400
14	1.163
15	1.286
16	1.409
17	1.532
18	1.655
19	1.778
20	1.901

PSC 16.36 Airline-distance formula.

NOTE: The text of this section appears as Appendix I attached to this order.

2. That sections PSC 16.30 and PSC 16.31(2)(c) as amended and section PSC 16.35, Wisconsin Administrative Code, as herein adopted shall take effect on March 1, 1958, pursuant to authority granted by section 227.026(1)(b), Wis. Stats.

3. That section PSC 16.36, Wisconsin Administrative Code, as herein adopted, shall take effect November 1, 1957, as provided for in section 227.026, (introductory paragraph), Wis. Stats.

4. That certified copies of the sections of the Wisconsin Administrative Code as herein amended and created, be filed with the Revisor of Statutes and the Secretary of State as required by section 227.023, Wis. Stats.

Dated at Madison, Wisconsin, this 13th day of

September 1957.

By the Commission,

John F. Goetz, Jr.
Acting Secretary

Section 16.36
to be attached
to MC-1573

Jordy Hill

10-9-57

10:40

am



PUBLIC SERVICE COMMISSION OF WISCONSIN

STATE OFFICE BUILDING

MADISON 2, WISCONSIN

October 4, 1957

GEORGE P. STEINMETZ,
CHAIRMAN
NICHOLAS J. LESSELYOUNG,
COMMISSIONER
ARTHUR L. PADRUTT,
COMMISSIONER
EDWARD T. KAVENY, SECRETARY

FILE NO. MC-1573

Mr. James J. Burke
Revisor of Statutes
State Capitol
Madison, Wisconsin

Petition of Wisconsin Motor Carriers
Association (Petroleum Division) for
Commission Determination of Minimum
Rates for Transportation

Dear Sir:

Pursuant to Section 227.023, Wisconsin Statutes,
we are enclosing certified copy of the Order of September
13, 1957 in the above entitled matter amending and adopting
Sections PSC 16.30 and PSC 16.31 (2)(c), Section 16.35 and
PSC 16.36, Wisconsin Administrative Code.

Very truly yours,

Act. Secretary

mcb