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                   BEFORE THE WASHINGTON STATE
 2.
             UTILITIES AND TRANSPORTATION COMMISSION
     In re
                                      DOCKET NO. TC-041340
     Application No. D-079294 of
 4
     PENNCO TRANSPORTATION, INC.
                                      Volume III
                                      Pages 197 to 224
 5
     For Extension of Authority
     Under Certificate No. C-01054,)
 6
     For a Certificate of Public
     Convenience and Necessity to
     Operate Motor Vehicles in
 8
     Furnishing Passenger and
     Express Service as an Auto
 9
     Transportation Company.
10
     In re
     Application No. D-079302 of
                                      DOCKET NO. TC-041593
11
     HECKMAN MOTORS, INC., d/b/a
12
     Olympic Bus Lines
13
     For Extension of Authority
     Under Certificate No. C-992,
14
     For a Certificate of Public
     Convenience and Necessity to
15
     Operate Motor Vehicles in
     Furnishing Passenger and
16
     Express Service as an Auto
     Transportation Company.
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                A hearing in the above matter was held on
     June 24, 2005, from 9:30 a.m to 10:15 a.m., at 1300
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21
     South Evergreen Park Drive Southwest, Room 108, Olympia,
22
     Washington before Administrative Law Judge THEODORA
23
     MACE.
     Joan E. Kinn, CCR, RPR
24
25
    Court Reporter
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1	The parties were present as follows:
2	THE COMMISSION, by JONATHAN THOMPSON, Assistant Attorney General, 1400 South Evergreen Park
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5	HECKMAN MOTORS, INC. d/b/a Olympic Bus Lines, via bridge line by JACK HECKMAN, President, 111 East
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- 2 JUDGE MACE: Let's be on the record in the
- 3 application of Pennco Transportation, Inc., for an
- 4 Extension of Authority under Certificate Number C-01054
- 5 for a Certificate of Public Convenience and Necessity in
- 6 Furnishing Passenger and Express Service. This is
- 7 Docket Number TC-041340, and it is consolidated with the
- 8 application of Heckman Motors, Inc. d/b/a Olympic Bus
- 9 Lines for Extension of Authority under Certificate
- 10 Number C-992 for a Certificate of Public Convenience and
- 11 Necessity in Furnishing Passenger and Express Service.
- 12 This is Docket Number TC-041593.
- Today's date is June 24th, 2005, and we are
- 14 convened at the offices of the Washington Utilities and
- 15 Transportation Commission in Olympia, Washington. My
- 16 name is Theodora Mace, I'm the Administrative Law Judge
- 17 for this case.
- 18 I would like to take the oral appearances of
- 19 counsel now or of the parties, and I will begin with
- 20 counsel who is here in the hearing room.
- 21 Mr. Thompson, would you go ahead, please.
- 22 MR. THOMPSON: Yeah, I'm Jonathan Thompson,
- 23 Assistant Attorney General representing the Commission
- 24 Staff.
- JUDGE MACE: Thank you.

- 1 Is there anyone on the conference bridge now
- 2 who wants to enter an appearance? Mr. Heckman, I
- 3 believe you're on the conference bridge.
- 4 MR. HECKMAN: Yes, Jack Heckman with Olympic
- 5 Bus Lines.
- 6 JUDGE MACE: Let me ask if Mr. Harris is on
- 7 the line of Pennco, is there anyone on behalf of Pennco
- 8 on the conference bridge line?
- 9 I hear no response. I have been advised that
- 10 we have not heard anything from Mr. Harris about whether
- 11 he intends to appear today either in person or on the
- 12 conference bridge, and it is past our usual time for
- 13 convening. I think I'm going to go ahead at this point
- 14 and begin the proceeding, and if Mr. Harris makes no
- 15 appearance by the time we're done with Staff's
- 16 presentation, then I'll see whether it's appropriate to
- 17 wait at that point for any particular reason just in the
- 18 event that Mr. Harris might have something he wants to
- 19 put on the record today.
- 20 So my understanding of the purpose of this
- 21 proceeding is that we have reopened the record pursuant
- 22 to Staff's motion to reopen the record in order to have
- 23 Staff present evidence regarding the status of Pennco's
- 24 current operations in the state of Washington. Is there
- 25 any other item that we need to address today besides

- 1 that?
- 2 All right, Mr. Thompson.
- 3 MR. THOMPSON: Okay, I guess what we'll do, I
- 4 had submitted three different documents for possible
- 5 admission in the record. The first was titled an open
- 6 letter to Olympic Peninsula residents, which was
- 7 forwarded to Carole Washburn, Secretary of the
- 8 Commission, on or about May 10th, 2005.
- 9 JUDGE MACE: Was this what was attached as
- 10 Exhibit A to your motion?
- 11 MR. THOMPSON: Exhibit A, correct.
- 12 And then Exhibit B is a Peninsula Daily News
- 13 story from Tuesday, May 10th, 2005, with the headline,
- 14 Door to Door Airporter Service from North Olympic
- 15 Peninsula to Shut Down.
- 16 And the third item was a newspaper article
- 17 from the Port Townsend and Jefferson County Leader with
- 18 the headline, Pennco Transportation Closing.
- 19 And I had certified myself in my declaration
- 20 that I submitted with that motion to the accuracy of
- 21 those documents, so I guess at this point I would just
- 22 move for admission of those documents.
- JUDGE MACE: Well, let me just clarify. You
- 24 say you certified to the accuracy of the documents, have
- 25 you certified that they are accurate copies of articles

- 1 and the letter, is that --
- 2 MR. THOMPSON: I guess that's what I mean,
- 3 yeah, that they're true copies of what they purport to
- 4 be. One of them, the letter, is on file with the
- 5 Commission.
- JUDGE MACE: Yes, correct.
- 7 And are you seeking to have your declaration
- 8 admitted as an exhibit as well or not?
- 9 MR. THOMPSON: Well, I don't know that it
- 10 would need to be an exhibit, but I think it's, just to
- 11 establish foundation for the exhibits, it should
- 12 probably be part of the record.
- 13 JUDGE MACE: It would be in the record
- 14 actually if you submitted it with your motion I believe.
- MR. THOMPSON: Okay.
- JUDGE MACE: I mean it's there.
- 17 What I would propose to do is to mark these
- 18 items as exhibit numbers in this proceeding, and I
- 19 believe that our next exhibit number is number 24, and I
- 20 would mark Exhibit A which was the May 9th letter to
- 21 Carole Washburn as Exhibit 24, I would mark the May 10th
- 22 article that you have included in Exhibit B as Exhibit
- 23 25, and I would mark the May 11th article as Exhibit 26.
- 24 Is that acceptable?
- MR. THOMPSON: Yes.

- I would also propose, because the subject
- 2 matter of these exhibits concerns the status of Pennco's
- 3 insurance and an order from the Commission that Pennco
- 4 should suspend service pending getting an insurance
- 5 certificate, I would ask that Staff be able to call
- 6 Ms. Bonnie Allen as a witness to explain some of the
- 7 circumstances surrounding that and also just to ask the
- 8 Commission to take notice, official notice of some
- 9 documents that were issued by the Commission and the
- 10 Staff in the course of that matter.
- JUDGE MACE: Yes, I have no problem with
- 12 that.
- I'm just pausing because I have this little
- 14 concern that we might want to wait an additional five
- 15 minutes just on the off chance that Mr. Harris might
- 16 appear to give him some additional time to show up. As
- 17 I said, he has not advised our office whether or not he
- 18 is coming or that he would be late or anything like
- 19 that, and if we waited just the additional time, that
- 20 might give him a chance to either review and object to
- 21 these documents or at least to be present while you make
- 22 your presentation of Ms. Allen in this case.
- Mr. Heckman.
- MR. HECKMAN: Yes.
- 25 JUDGE MACE: Do you have any problem with

- 1 waiting five minutes just in case Mr. Harris should show
- 2 up?
- 3 MR. HECKMAN: No, that would be fine.
- 4 JUDGE MACE: All right, we'll wait until
- 5 quarter to 10:00, and then we'll resume on the record at
- 6 that point and go ahead with the rest of the proceeding.
- 7 (Recess taken.)
- 8 JUDGE MACE: Let me ask again whether
- 9 Mr. Harris or anyone from Pennco has come on the
- 10 conference bridge?
- I hear no response, and let me indicate that
- 12 neither Mr. Harris nor anyone from Pennco has shown up
- in the hearing room.
- 14 Let me ask now, Mr. Heckman, if you have any
- 15 objections to the admission of the proposed exhibits
- 16 that Staff has presented, Exhibit 24, the letter to
- 17 Carole Washburn from Kevin Harris, Exhibit A to the
- 18 motion, Exhibit 25, the May 10th newspaper article, and
- 19 Exhibit 26, the May 11th newspaper article, is there any
- 20 objection to the receipt of those exhibits in evidence?
- 21 MR. HECKMAN: No objection.
- JUDGE MACE: All right, I will admit them.
- 23 The thing Mr. Thompson asked for next is to
- 24 have Ms. Allen appear and give some testimony; is that
- 25 correct, Mr. Thompson?

- 1 MR. THOMPSON: Yes.
- 2 JUDGE MACE: I think you can just stay there.

- 4 Whereupon,
- 5 BONNIE ALLEN,
- 6 having been first duly sworn, was called as a witness
- 7 herein and was examined and testified as follows:

- 9 DIRECT EXAMINATION
- 10 BY MR. THOMPSON:
- 11 Q. Ms. Allen, could you pleas state your full
- 12 name for the record.
- 13 A. My name is Bonnie L. Allen, A-L-L-E-N.
- Q. And what is your job with the Commission?
- 15 A. I'm a Regulatory Analyst III in our
- 16 transportation and water division.
- 17 Q. Okay. And what are your responsibilities
- 18 with regard to auto transportation companies?
- 19 A. I am the senior transportation staff. I work
- 20 on policy issues, I troubleshoot, I'm kind of the lead
- 21 on any transportation issues that involve our other
- 22 operating divisions.
- Q. Okay. And can you give a sense of, oh, just
- 24 the length of your experience with the regulation of
- 25 auto transportation companies?

- 1 A. I started in the Utilities and Transportation
- 2 Commission's permit section working on insurance files
- 3 in August of 1976. I was in that section for two years,
- 4 and then I went to our enforcement section. I worked in
- 5 our tariff and policy research section. I was the
- 6 information consultant for transportation automating our
- 7 transportation systems and documenting our processes. I
- 8 was the supervisor of our permit section. I was the
- 9 transportation program coordinator for compliance and
- 10 policy program issues. And then I moved to our
- 11 transportation and water section to be kind of the
- 12 senior policy staff level person for transportation
- issues, including auto transportation companies.
- 14 Q. Could you please just generally explain what
- 15 the requirements are regarding proof of insurance for
- 16 auto transportation companies?
- 17 A. Auto transportation companies are required to
- 18 maintain a uniform public liability and property damage
- 19 liability certificate of insurance on file at all times
- 20 covering their operations.
- 21 Q. Is there another requirement? For example,
- 22 is there any other legal requirement that those carriers
- 23 have insurance other than the WUTC's requirement, do you
- 24 know, aren't they exempted from --
- 25 A. Oh, right, I think it's Title 46 that

- 1 requires every driver of a motor vehicle to maintain
- 2 proof of insurance on the vehicle. Any company, any
- 3 common carrier that's subject to Commission certificate
- 4 requirements is not required to maintain that proof of
- 5 insurance because they maintain proof of insurance with
- 6 the Commission.
- 7 Q. Can you explain generally what took place
- 8 with regard to Pennco's proof of insurance?
- 9 A. Pennco's insurance filing with the Commission
- 10 -- let me step one back. The insurance filing that the
- 11 Commission maintains is received from the insurance
- 12 company, it's not from an agent, so Pennco's insurance
- 13 filing was canceled by the insurance company. To cancel
- 14 insurance filing, the company has to send a particular
- 15 form, and it's to the Commission on a 30 day notice.

- 17 EXAMINATION
- 18 BY JUDGE MACE:
- 19 Q. Let me just back up for a minute. You said
- 20 the Commission receives the insurance filing from the
- 21 insurance company, not from an agent, and you mean an
- 22 insurance agent?
- 23 A. Insurance agent, right.
- 24 Q. Okay.
- 25 A. The filing we receive is directly from the

- 1 company.
- JUDGE MACE: All right.
- 3 MR. THOMPSON: Maybe it would help clarify
- 4 things at this point if I were to distribute a possible
- 5 exhibit here.
- 6 JUDGE MACE: Mr. Heckman, I just want you to
- 7 know since you can't see what's happening that
- 8 Mr. Thompson has provided us a copy of what appears to
- 9 be a Commission document that pertains to Pennco's
- 10 insurance, and I will ask Mr. Thompson to make sure that
- 11 you receive copies of all the exhibits that he presents
- 12 today in the hearing room.
- MR. HECKMAN: Thank you.
- 14 JUDGE MACE: And do you want to have this
- 15 marked as an exhibit?
- MR. THOMPSON: Let's go ahead and do that.
- JUDGE MACE: This will be Exhibit Number 27.
- 18
- 19 DIRECT EXAMINATION
- 20 BY MR. THOMPSON:
- 21 Q. Okay, Ms. Allen, could you explain what these
- 22 documents are, what this document is I guess. It's part
- of one mailing, isn't it?
- A. Well, not really one mailing. What we have
- 25 here is the Form E, which is the uniform motor carrier

- 1 bodily injury and property damage liability certificate
- 2 of insurance, and then we have a copy of the cancelation
- 3 notice from the insurance company.
- JUDGE MACE: And when you say Form E, I don't
- 5 see Form E.
- 6 THE WITNESS: It's the one that's on the --
- 7 MR. THOMPSON: It's in very small type.
- 8 THE WITNESS: At the very top of the page.
- JUDGE MACE: I see it now, okay.
- 10 A. So that's the actual insurance filing that
- 11 the Commission received.
- 12 And the next document, it's on a landscape,
- 13 is the copy of the cancellation notice of that filing
- 14 that the Commission received. So they're different
- 15 forms. And you can't see this at the top, it's
- 16 generally called the Form K is the cancellation.

- 18 EXAMINATION
- 19 BY JUDGE MACE:
- Q. And so the insurance, the Form E was filed on
- 21 July 12th or is dated July 12th, 2004, and I see a
- 22 received date of July 15, 2004, and then the
- 23 cancellation is, hm, the cancellation seems to, oh, I
- see, the cancellation was received March 22nd, 2005, by
- 25 the Commission and apparently is to be effective April

- 1 23rd, 2005; is that correct?
- 2 A. Yes, their cancellation notices are required
- 3 to include a 30 day notice to the agency, and that's
- 4 what this one does.
- 5 Q. Okay, thank you.
- 6 A. So the cancellation of this filing was
- 7 effective on April 23rd, and then the last document
- 8 that's part of this exhibit is the notice that our
- 9 licensing staff sends to the company when we receive a
- 10 notice that their insurance is being canceled.
- 11 Q. And this was dated March 22nd, 2005?
- 12 A. Right, the same date as the cancellation was
- 13 received.
- JUDGE MACE: Okay.
- 15
- 16 DIRECT EXAMINATION
- 17 BY MR. THOMPSON:
- 18 Q. Is this a copy of the document that was sent
- 19 to Pennco?
- 20 A. Yes.
- 21 Q. Okay.
- 22 A. This is a copy from the records center file.
- 23 The document we send, we call it a cite letter because
- 24 we're informing the company that their insurance is
- 25 pending cancellation and advising them that they need to

- 1 get a new filing in.
- Q. Okay. So could you just continue with sort
- 3 of the time line of what occurred with Pennco?
- 4 A. Sure. In this situation, the Staff advised
- 5 the company they needed to get their insurance in before
- 6 the 23rd cancellation date, or their certificate would
- 7 be subject to suspension. Insurance was not received,
- 8 and the Commission Staff prepared an order that is
- 9 signed by Carole Washburn to suspend the certificate.
- 10 The order is issued 10 days prior to the insurance
- 11 cancellation date again to give the company an
- 12 opportunity to come through with an insurance filing
- 13 before the date that their filing expires.
- JUDGE MACE: And for Mr. Heckman's benefit,
- 15 let me say for the record that counsel has provided me a
- 16 copy of that order just referred to by Ms. Allen. The
- order service date shows April 14th, 2005.
- 18 And, Mr. Thompson, do you seek to have this
- 19 marked as an exhibit?
- 20 MR. THOMPSON: We could do that, it's your
- 21 preference, Your Honor. I think we could also just take
- 22 notice.
- JUDGE MACE: Let's have it marked as an
- 24 exhibit since we're doing that, and that way we have a
- 25 chain of exhibits that demonstrate your points, so this

- 1 will be Exhibit 28.
- 2 Go ahead.
- 3 A. So the order is issued generally it's 10 days
- 4 prior to the cancellation effective date. It advises
- 5 the company that their certificate will be suspended on
- 6 that date if they don't receive insurance prior to the
- 7 effective date. And in this situation, Staff did not
- 8 receive insurance from Pennco prior to April 23rd, and
- 9 the certificate was in fact suspended.

- 11 EXAMINATION
- 12 BY JUDGE MACE:
- 13 Q. And I note that the order says that the
- 14 certificate suspension is a period of 30 days from the
- 15 date of the effective date of the order; is that
- 16 correct?
- 17 A. Yes.
- JUDGE MACE: Thank you.
- 19 Go ahead.

- 21 DIRECT EXAMINATION
- 22 BY MR. THOMPSON:
- Q. Well, just to clarify, what happens if proof
- 24 of insurance is not received within those 30 days?
- 25 A. Well, at the end of the 30 days, the file

- 1 would be referred to the administrative law division for
- 2 a hearing for cancellation. Technically once the
- 3 company has no valid insurance, they can't operate, and
- 4 it's my understanding we could pursue cancellation at
- 5 that point. Historically, at least as long as I have
- 6 been here, we have issued a suspending order to allow
- 7 the company like a grace period 30 days prior to
- 8 actually proceeding with a hearing to cancel.
- 9 Q. Okay.
- 10 A. So they can't operate during that 30 days
- 11 because there is no insurance on file, but the
- 12 certificate itself is not -- the Staff at that level or
- 13 the Commission is not pursuing cancellation of the
- 14 certificate.
- 15 Q. And the order provides that the carrier is to
- 16 cease all operations?
- 17 A. Yes.
- 18 Q. Okay, go ahead.
- 19 A. In this situation we did receive insurance
- 20 from Pennco's agent, which is slightly different. Did
- 21 we get it? Well, we did receive a certificate of
- 22 insurance. It wasn't a Form E, but it was an agent's
- 23 certificate giving us the information that a certificate
- 24 would be forthcoming. Based on the insurance agent's
- 25 certificate, we -- Staff accepts an insurance agent's

- 1 certificate as a temporary filing until the actual Form
- 2 E can come in, like a promise of a Form E, but we only
- 3 accept it on a temporary basis to allow them time to get
- 4 their actual filing in. In this case, we did receive a
- 5 certificate from the agent, and the order lifting
- 6 suspension was issued on receipt of that insurance.
- 7 That was on May 4th.
- 8 JUDGE MACE: And I have before me a copy of
- 9 the order lifting suspension dated May 4th, and I have
- 10 marked that Exhibit 29.
- 11 A. And as of the effective date of that lifting
- 12 order, the company was advised that they were free to
- 13 resume operations.
- 14 Q. And is it your understanding that they did
- 15 resume operations?
- 16 A. It was my understanding they did not.
- 17 Q. Okay.
- 18 A. At that time.
- 19 Q. Did you have any conversations with
- 20 Mr. Harris about the company's decision not to resume
- 21 operations?
- 22 A. I did have a conversation with Mr. Harris.
- 23 The purpose of the conversation wasn't necessarily to
- 24 talk about his decision to discontinue, it was -- it had
- 25 to do with another matter and a press release and some

- 1 questions he had. But in the course of that discussion,
- 2 I did advise him that he should be aware of the
- 3 requirement to notify the Commission and ask permission
- 4 to discontinue service if that's what he was intending
- 5 to do.
- 6 Q. Okay. And just for the record, is there a
- 7 rule that requires that an auto transportation company
- 8 obtain permission from the Commission before
- 9 discontinuing service?
- 10 A. Yes, WAC 480-30-060, and I believe it's
- 11 Paragraph 9, 8 and 9 discusses discontinuance of
- 12 service.
- 13 Q. And has Pennco sought the Commission's
- 14 permission to discontinue service?
- 15 A. Not that I'm aware of.
- 16 Q. When are regulatory fees and annual reports
- 17 due for auto transportation companies?
- 18 A. May 1st of each calendar year every
- 19 certificated carrier is required to file a report of its
- 20 prior year's activities and pay its regulatory fees for
- 21 the forthcoming year.
- 22 Q. Okay. And has Pennco Transportation filed an
- 23 annual report or paid its regulatory fees as of May 1st?
- A. No, their 2004 annual report has not been
- 25 received, their 2005 regulatory fees have not been filed

- 1 or paid.
- JUDGE MACE: I'm sorry, it's the 2004 report?
- 3 THE WITNESS: And the 2005 fees. The fees
- 4 are going -- it's a going forward fee based on the prior
- 5 year's activity.
- JUDGE MACE: Thank you.
- 7 MR. THOMPSON: Okay, I think that's all the
- 8 questions then that I have for Ms. Allen.
- 9 JUDGE MACE: Mr. Heckman, do you have any
- 10 questions to ask Ms. Allen?
- MR. HECKMAN: No, I do not.

- EXAMINATION
- 14 BY JUDGE MACE:
- 15 Q. Some of the materials that I read in the
- 16 motion that Staff filed indicated something to the
- 17 effect that Mr. Harris had attempted to provide
- 18 transportation for his customers by contacting some
- 19 other carrier. And, Ms. Allen, I'm wondering if you're
- 20 familiar with that and can just enlighten the Commission
- 21 a little bit about what the facts were about that?
- 22 A. Sure.
- 23 Q. If you know them.
- 24 A. Sure. We had a, well, I was involved in a
- 25 telephone conference call with Mr. Harris regarding that

- 1 issue and a few other issues during that period of time
- 2 while the certificate, Pennco's certificate, was
- 3 suspended. Mr. Harris was continuing to -- was
- 4 continuing to accept passengers for his airporter and
- 5 Seattle Transportation Service, and he was booking those
- 6 passengers through a charter company that he also was,
- 7 if not the owner of, he was the majority shareholder in.
- 8 It was his belief that the charter company had
- 9 insurance, and because of that he could use the charter
- 10 company to provide his airporter service. And we,
- 11 Staff, in that telephone discussion advised him that a
- 12 charter carrier did not have authority to provide a door
- 13 to door airporter service and that he could not use a
- 14 charter company to provide his regulated service because
- 15 he had no authority to provide the regulated service
- 16 while his certificate was suspended.
- 17 Q. Okay.
- 18 A. I don't believe he agreed with that, but he
- 19 -- eventually he did agree that he would cease operating
- 20 through that charter carrier until he was able to either
- 21 get another opinion or get his insurance in line.
- 22 And in the course of that conversation, I did
- 23 get his insurance agent's name, and we spoke to his
- 24 insurance agent, I spoke to his agent, I believe it was
- 25 that afternoon, and we got insurance within the next

- 1 day. So it was just a matter of, we hadn't heard from
- 2 anyone, it was just a matter of getting in touch with
- 3 his agent to try to get something filed.
- 4 JUDGE MACE: Okay, thank you.
- 5 Mr. Thompson, anything else?
- 6 MR. THOMPSON: Well, if Your Honor would
- 7 like, I could just say a few words about what Staff
- 8 believes the significance of this additional evidence
- 9 is.
- JUDGE MACE: Yes, I had hoped that you would,
- 11 but first I wanted to ask whether there are any
- 12 objections to the admission of the proposed Exhibits 27,
- 13 28, and 29?
- 14 Hearing no objection, I will admit those
- 15 exhibits.
- 16 Yes, I would appreciate it, counsel, if you
- 17 would take some time to discuss what you think is the
- 18 impact of this information on a potential Commission
- 19 decision in this case.
- 20 MR. THOMPSON: Okay. As we stated in the
- 21 financial fitness portion of our post hearing brief,
- 22 there is authority, and I believe it's called the
- 23 Evergreen Trails case which you will find in our brief,
- 24 that when an applicant has, and I'm more or less quoting
- 25 here:

1	When an applicant has significant
2	unexplained operating losses, past
3	operations have not been shown to be
4	profitable, and there is no evidence of
5	a plan to correct the carrier's
6	financial situation and no evidence of
7	another source of financial support for
8	the business, the applicant has not made
9	a prima facie showing of financial
10	fitness.
11	I think all of those factors are in play here
12	with regard to Pennco. Mr. Harris didn't submit a
13	balance sheet with his application, so we really have no
14	evidence and we didn't before regarding Pennco's assets
15	and liabilities. All we have is the income statement
16	that shows a loss of somewhere in excess of \$340,000
17	over a year's time. Mr. Harris earlier testified that
18	he personally financed that loss, yet we really have no
19	evidence whether Mr. Harris has the wherewithal to
20	continue to finance those losses, and in fact his
21	statements in the newspaper articles in particular seem
22	to indicate that he is unwilling to continue to do so.
23	The discontinuance of Pennco's door to door
24	service is very relevant to the issue of financial

25 fitness for two reasons. One is the Commission

- 1 precedent that I already mentioned where profitability
- 2 of the existing business is a consideration. The second
- 3 thing is that Mr. Harris really has relied in this case
- 4 on the theory that he could finance new operations
- 5 without any additional cost by using the vehicles that
- 6 he already was using as part of his existing door to
- 7 door operations and his existing employees and
- 8 facilities for that business. Without that business
- 9 continuing, there really is no remaining theory from
- 10 Mr. Harris as to how he would propose to finance the new
- 11 authority he seeks. The most general statement that the
- 12 Commission usually puts forth in its orders about the
- 13 question of financial fitness is that its examination of
- 14 an applicant's financial fitness must be commensurate
- 15 with the responsibilities of the public service that the
- 16 firm seeks to provide, the risks of public failure, and
- 17 the firm's financial history. And the most recent cite
- 18 you will find on that is in a case called CWA
- 19 Incorporated, and that's listed in the brief.
- I have touched on the financial history
- 21 issue, but I think it also bears emphasizing that the
- 22 responsibilities and the risk of failure in this case
- 23 are relatively high for a scheduled auto transportation
- 24 service. Because what Mr. Harris is proposing is a
- 25 scheduled service that connects public transit and a

- 1 ferry service, so it would really become an integrated
- 2 part of a public transportation service on which, you
- 3 know, assuming the Commission determines that there is a
- 4 need, people would come to rely on. I think it's just a
- 5 matter of common sense that for those kinds of services,
- 6 people do come to heavily rely on them and even make
- 7 home purchasing decisions based on the existence of
- 8 those kinds of services. So just bearing that in mind,
- 9 I guess Staff would submit that the Commission should be
- 10 cautious in granting authority when the evidence of
- 11 regulatory fitness for the applicant is clouded at best,
- 12 and financial fitness evidence is all to the negative,
- 13 and really I think the risk of public failure of this
- 14 kind of a service would be considerable.
- JUDGE MACE: All right, thank you.
- Mr. Heckman, do you have anything that you
- 17 wanted to comment on with regard to the issues, the
- 18 legal issues presented by this evidence?
- MR. HECKMAN: No.
- JUDGE MACE: All right, let me ask one more
- 21 time, is there anyone from Pennco on the conference
- 22 bridge line?
- I hear no response, and let me reflect for
- 24 the record that Mr. Harris or anyone from Pennco, no one
- 25 from that company has shown up today during the course

- 1 of the hearing.
- 2 Is there anything else that we need to
- 3 address at this time?
- 4 Very well. Counsel, let me just go over my
- 5 notes here. It seems to me you had an agenda item that
- 6 talked about me taking notice of some documents, or have
- 7 we admitted those as exhibits?
- 8 MR. THOMPSON: I think we have admitted --
- 9 everything that I either wanted to refer to or have as
- 10 an exhibit has been admitted as an exhibit.
- JUDGE MACE: Thank you.
- 12 All right, I think that that concludes the
- 13 matter then, and the record is closed, thank you.
- 14 (Hearing adjourned at 10:15 a.m.)

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