

ORIGINAL

Decision No. 14728

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Investigation
 on the Commission's own motion of
 the reasonableness of the rates,
 service, rules, regulations and
 practices of the RODEO-VALLEJO
 FERRY COMPANY.

CASE NO. 2043.

Peter tam Suden and Dudley Sales, for the
 Rodeo-Vallejo Ferry Company.
 Seth Mann and S. A. Everstine, for the San
 Francisco Chamber of Commerce.

SHORE and SEAVEY, Commissioners:

O P I N I O N

This is primarily an investigation into the service rendered and the reasonableness of the rates charged for the transportation of automobiles and the passengers carried therein, by the Rodeo-Vallejo Ferry Company, which, for convenience, will be designated herein sometimes as the Ferry Company.

Public hearings were held in San Francisco on November 12th, 13th, 18th, 19th, 25th, 26th and 29th, 1924.

The properties owned by the Ferry Company and used in connection with its auto ferry operation across the Carquinez Straits include wharves, slips and buildings at Shortway in Contra Costa County, and at Morrow Cove in Solano County, an oil tank and foundation at South Vallejo, and the auto ferry steamer "Issaquah."

There are certain properties at Valona (near Crockett) Contra Costa County, consisting of a causeway, wharf and slip which

were purchased by the Rodeo-Vallejo Ferry Company in March, 1922, from the Six Minute Ferry.

The line equipment consists of the owned ferry boat "Issaquah" and the chartered ferry boat "San Jose."

On week days the first boat leaves Shortway at 6:30 a.m. Service continues on a 30-minute headway until 8:00 a.m.; then on a 20-minute headway until 8:00 p.m.; then on a 30-minute headway until 11:00 p.m. On holidays and Sundays, additional service is given at 6:00 a.m., 10:45 p.m., 11:15 p.m., 11:45 p.m., and 12:45 a.m. The steamer "Issaquah" ties up for the night at the South Vallejo wharf and the first trip in the morning and the last trip at night are made from and to this location.

On March 21, 1922, the Rodeo-Vallejo Ferry Company purchased all of the physical property owned by the Six Minute Ferry, which formerly operated between Morrow Cove and Valona and also the passenger ferry operating between Mare Island and Vallejo, including the steamers "San Jose" and "Vallejo." That portion of the property operated between Mare Island and Vallejo was sold in April, 1923, for \$30,000.00. The steamer "Avon J. Hamford" was sold December, 1922, to the Golden Gate Ferry Company for \$215,000.00 and the steamer "San Jose" was sold in September, 1923, to the American Toll-Bridge Company of California for \$148,000.00.

It appears that in September, 1922, the Ferry Company decided to build a toll bridge across the Carquinez Straits and procured a franchise from Contra Costa County to operate the same for a period of twenty-five years, and also a permit from the United States War Department for its construction. To carry out the bridge project a new corporation was formed, the American

Toll-Bridge Company, which has acquired all of the stock of the Rodeo-Vallejo Ferry Company. At the present time there are two bridge companies:

1. The American Toll-Bridge Company, a Delaware corporation, having an authorized capital stock of \$5,000,000.00.

2. The American Toll-Bridge Company of California, also a Delaware corporation, having a capital stock of \$760,000.00. The stock of this latter company has been distributed to holders of the Ferry Company stock.

The interrelation between the two bridge companies is given in some detail on the stock subscription contract blank, which was introduced as evidence and which reads in part as follows:

"The American Toll-Bridge Company issued 5,000,000 shares, all of its capital stock, in exchange for tangible and intangible assets, franchises and property, owned by the American Toll-Bridge Company of California, a Delaware Corporation. The American Toll-Bridge Company of California transferred 760,000 shares, all of its capital stock, for these tangible and intangible assets and the franchises and property. The American Toll-Bridge Company of California allotted 2,500,000 shares of the American Toll-Bridge Company's capital stock at \$1.00 per share for a portion of these assets and in consideration for services; and, in addition, allotted the balance of the 2,500,000 shares of the American Toll-Bridge Company's capital stock to be sold to the public at \$2.00 per share.

"To obtain a permit in California to sell a portion of the American Toll-Bridge Company's stock, the American Toll-Bridge Company of California donated to the American Toll-Bridge Company 1,000,000 shares of the American Toll-Bridge Company's stock, which it owned. The American Toll-Bridge Company of California is required to escrow that 2,500,000 shares of the American Toll-Bridge Company's capital stock issued for a portion of the assets and in consideration for services until an appraisal of the tangible property of the American Toll-Bridge Company is filed with and accepted by the Commissioner of Corporations. The Commissioner will then authorize the release of that portion of the 2,500,000 shares of American Toll-Bridge Company stock issued for tangible assets upon the basis of \$1.00 per share for an accepted appraised value of the tangible property.

"Of the 2,500,000 shares of American Toll-Bridge Company's stock to be sold to the public, 1,500,000 shares are to be sold outside of the State of California upon no more favorable terms than the balance, or 1,000,000 shares of American Toll-Bridge Company's stock authorized to be sold in the State of California."

The record in this case makes it clear that the group of stockholders that control the American Toll-Bridge Company of California do, through the two Toll-Bridge Companies, control the Ferry Company.

The service now rendered by the Ferry Company appears to be reasonably adequate for the volume of business now offered at this location. The auto capacity of the two boats is approximately 132 machines per hour each way. The Company is now operating its boats and terminals with precaution and the service appears to be reasonably safe, considering the fact that the transportation of automobiles by boat is at all times to some extent a hazardous business.

The remaining issue to be passed upon in this proceeding is the reasonableness of rates charged by the Ferry Company for services.

Counsel for the Ferry Company protested the jurisdiction of the Commission to pass upon this case and claimed that under Section 2843 of the Political Code, the right to determine the rates of this ferry service is exclusively with the Board of Supervisors of Contra Costa County.

We are not impressed with the merit of this contention. The Public Utilities Act, under which this Commission functions, definitely places jurisdiction over rates of a carrier of this kind in this Commission, and nothing has been brought to our attention

that convinces us that these provisions of the Public Utilities Act do not apply.

A valuation of the physical property owned by the Rodeo-Vallejo Ferry Company was introduced as evidence by the Commission's Engineering Department. The following values as of June 30, 1924, are reported upon:

	<u>Operative Property.</u>	<u>Non- Operative Property</u>	<u>Total Operative and non-operative Property</u>
Historical Reproduction Cost	\$360,207.	\$ 61,492.	\$421,699.
Historical Reproduction Cost Less Depreciation	236,149.	38,746.	274,895.
Reproduction Cost New	385,764.	65,207.	450,971.
Reproduction Cost New Less Depreciation	249,216.	40,604.	289,820.

Unit prices for the reproduction cost new basis have been estimated to be the average market price for an estimated construction period of six months, terminating on the date of valuation.

The Valona wharf and slip have been classified as non-operative property. Evidence was submitted (Company's Exhibit No. 14) which shows that the Valona Terminal was used in part on July 4th, 6th and 13th, August 30th and 31st, and September 1st and 2nd, 1924, for a total of 182 trips and transported a total of 18,310 autos, or approximately 4 per cent of the total autos handled during the year. The evidence also shows that in October, 1924, a large part of the Ferry Company's trestle approach was removed to allow the Southern Pacific Company to relocate its tracks and also to allow the American Toll-Bridge Company room to construct one of the bridge piers. The portion of trestle and bridge removed was rebuilt at a different location, apparently for the use of, and at the expense of the Toll-Bridge Company, which has built a large construction wharf

partly on the Ferry Company's land. The evidence shows that the new structure had not as yet been used by the Ferry Company. It is physically possible to use the approach, but apparently the Ferry Company, when the bridge was rebuilt, had no intention of using it for auto ferry purposes, for in such use it would now require a sharp turn into the Bridge Company's material yard and then another sharp turn to the causeway. The bridge across the Southern Pacific tracks has a clear width of but 9.2 feet, a width too small to allow vehicles to pass and suitable for one way travel only.

Mr. Klatt, Secretary of the Rodeo-Vallejo Ferry Company, testified that the steamer "Issaquah" ties up at night at the South Vallejo Wharf and the first trip in the morning and the last trip at night are made from or to this wharf. Company's Exhibit No. 14 shows that 3731 automobiles used this wharf and slip during the year, or less than one per cent of the total number of automobiles transported by the Company. Prior to January 1, 1924, the Company had apparently abandoned this wharf and slip and it has written off the entire cost from its capital accounts. The value of this slip is not included in the Engineering Department's valuation nor is it included in the Company's statement of investment, in Company's Exhibit No. 10. The oil tanks, foundations and dolphins at South Vallejo which are owned and used by the Company have been included in the valuation.

Counsel for the Ferry Company, in his brief (page 52) complains of the fact that the Engineering Department of the Commission allows the oiling facilities in the valuation as operative property while excluding the land upon which the tanks are located as non-operative property. It appears however that these oil tanks and foundations are not located on the Company's property at all, being constructed outside of the bulkhead line, and therefore located

in navigable waters and upon land owned by the State.

The Ferry Company offered its Exhibit No. 10 as a statement of its total investment as of September 30, 1924. The representations made in this Exhibit are as follows:

<u>Investment as per books:</u>	<u>Total to Sept. 30, 1924.</u>
Tangibles	\$375,258.84
Intangibles	<u>9,270.86</u>
	\$384,529.70
<u>Claims for:</u>	
Services rendered without compensation	\$ 3,000.00
Interest on Investment at 6% during construction	8,717.82
Working Capital	<u>30,900.00</u>
Total Investment Claimed by Company . .	\$427,147.52

The only items that properly should be included in such a statement are those representing actual expenditures for investment in the property. The record shows that no payments were ever made by the Company for the items of claims designated "Service rendered without compensation" or "Interest on investment during construction," nor does the Company expect to pay the amounts represented by these two items. All interest actually paid is included in the total investment account or if not actually paid out as interest it has been included in the prices charged by the various contractors. Working capital has been estimated at \$18,700.00 by the Engineering Department and \$30,900.00 by the Company. The Company's business is ^{all} practically/on a cash basis, the customers paying in advance for the services to be rendered. It has been the policy of the Commission not to allow working capital for utilities of this character, except for necessary materials and supplies, and the Engineering Department's

estimate of \$18,700.00 appears to be quite liberal for all necessary material and supplies for the operation of such a Ferry Company.

The Engineering Department's valuation (total operative, non-operative property and working capital) exceeds the Company's book investment and claims by \$13,251.48, or 3 per cent. The main objection that the Company has to the Engineering Department's valuation as a rate base, applies to the question of whether the Valona property is operative or non-operative. It is our conclusion that the Valona property is now non-operative property and it is practically used only by the American Toll-Bridge Company in connection with the construction of the Carquinez Straits bridge.

The steamer "San Jose" was acquired by the Ferry Company in the purchase of the Six Minute Ferry property in March, 1923. It was sold to the American Toll-Bridge Company of California in September, 1923. The American Toll-Bridge Company of California was organized to take care of the interests of the Ferry Company's stock holders in the American Toll-Bridge Company, and this transaction is entirely an inter-company matter. The Ferry Company derives no benefit at the present time that it did not have prior to the sale, and the rent paid appears excessive. *

For operative purposes, the value of the steamer "San Jose" to the Ferry Company is the same whether expressed in terms of its value in the rate base, or in terms of a reasonable rental return on its value in operating expense. It will be in the interest of fairness and simplicity to allow a return upon its value as operative property. This is the method generally followed by this and other regulatory bodies. (See Decision No. 11457, re Pacific Gas and Electric Co., 22 C.R.C. 736, 768. See also, re Portland Railway L. and P. Co., P.U.R. 1917 D. 962, 975, Oregon Public Service Commission).

The book value of the steamer "San Jose," (\$160,765.00) will therefore be included in the rate base.

After careful consideration of the evidence, it is our conclusion that the rate base to be used for the determination of a fair and equitable return on the investment, for the purpose of this proceeding, will be the sum of \$539,672.00.

A forecast of the probable revenue to be received for the following year has been prepared (Commission's Exhibit No. 3, page 5) and on the basis of the present rate scale and present operating conditions, it has been estimated that for the following year the revenues from July 1, 1923 to June 30, 1924, will be increased approximately 10 per cent.

Mr. A. L. Black, Consulting Engineer for the Company, has prepared a forecast of the probable traffic (Company's Exhibit No. 13) which shows an estimated increase for the year 1924 of 20 per cent over 1923 and for the year 1925 of 9 per cent over 1924. It would appear from Mr. Black's estimate that the Engineering Department's estimate of traffic is conservative.

Mr. Klatt testified that the American Toll-Bridge Company is now building a bridge across the Carquinez Straits at Crockett which, when completed, will make ^{it} unprofitable for the Ferry Company to continue its service, but the date when this bridge actually will be completed is indefinite. Mr. Klatt also testified that the American Toll-Bridge Company is now constructing another toll bridge three miles east of Antioch, which may be completed in the latter part of 1925 and which, when completed, will compete with the Rodeo-Vallejo Ferry Company. The distance to Sacramento from the East Bay District is approximately the same by way of the Rodeo-Vallejo Ferry as by way of the Antioch toll bridge but there are now

approximately eleven miles of road on the Sherman Island levee that have not been improved with a hard surface pavement and the traffic for that route has to ferry across Three Mile Slough on a small ferry boat operated by the County. There is no evidence to show that the improvement of the County road or the bridge has been authorized, and the Antioch toll bridge cannot compete to any great extent until a concrete highway is constructed on the eleven miles of road now unpaved and until a bridge is constructed over Three Mile Slough. It is our conclusion that this Ferry Company will not suffer to any great extent from competition until the Carquinez Toll Bridge is completed, but at that time it probably will be compelled to discontinue business.

At its present rates the Ferry Company then should earn an average yearly revenue, until the Carquinez bridge is open for traffic, of at least the revenue received from July 1, 1923, to June 30, 1924, plus 10 per cent, or approximately \$570,800.00 This figure does not take into account any increase of traffic that will result inevitably from a reduction in rates, nor does it provide for any increase of traffic in 1926 over the traffic of 1925.

Forecasts of the operating expenses were prepared (Table No. 4, Commission's Exhibit No. 3) by the Engineering Department of the Commission; and Company's Exhibit No. 10, Financial Statements, with an estimate of income and expenses, was prepared by J. G. Hill, accountant for the Company. A comparison of the totals of the two estimates is shown in Table No. 1. The Company's estimate exceeds that of the Engineering Department of the Commission by \$119,116.00. This difference is accounted for partially by a difference in principle in the computation of depreciation, the Company figure for this item amounting to \$74,309.64 and the figure of the Commission's engineers amounting to \$27,594.00. The former figure

is computed on a straight line depreciation basis not used by the Commission and includes a considerable amount of amortization, which is provided for elsewhere by the Commission's engineers. This difference accounts for \$46,715.60 of the above excess figure of the Company. Further the Company's figure includes rental for use of the steamers "Hanford" and "San Jose," which should be eliminated, as the "Hanford" is not now under rental nor used by this Company, and the Commission's engineers have allowed for the value of the "San Jose" in the rate base instead of on a basis of rental. After accounting for these differences in the basis of estimating operating expenses, we find that the Company's estimate only exceeds that of the Engineering Department by 3 per cent. This difference is further accounted for below in other items, including excessive amounts for general expense in the Company's estimate.

Mr. Klatt testified that the Board of Directors had decided to operate an all night service during the summer months and that this service would increase the operating expenses, especially fuel oil and wages for the crew. If an all night service is inaugurated it should attract enough new business to pay for the additional fuel and wages or it is not warranted at this time.

In general the Engineering Department's and the Company's estimates are reasonably close for the expense of operating terminals with the exception of maintenance of the wharves, slips and roadway. The Company presented a large amount of evidence to show that its wharves and slips have been damaged to a great extent by the ravages of the toredo and would require a large expenditure for renewals. It was generally agreed by both the Engineering Department and the Company's engineers that the continued use of green piles in this locality is unwise except for the few piles

required at the head of the slip to act as cushion piles. If the Company is to discontinue operation by the end of 1926, or in about two years as hereinafter discussed, the rebuilding of these wharves and slips is not entirely justified, nor is the expenditure of large sums to maintain stand-by terminals justified. The green piles in certain portions of the Shortway slip undoubtedly should be replaced with creosoted piles, but it does not appear that the wharf and causeway should require any major replacements in the next two years. At Morrow Cove the wharf is built entirely with green piles, some of which should be replaced with creosoted piles.

The Engineering Department estimated \$8,000.00 annually for the maintenance of these two terminals. This amount appears adequate to take care of the ordinary repairs and maintenance of the two terminals and also that portion of replacement work that can be charged properly to operation. The cost of the replacing of the green piles with creosoted piles should be charged in part to the accounts of Investment, Reserve for Depreciation, and Operation, respectively. No attempt has been made at this time to forecast the proper amount to be charged to the various accounts, and as it appears that the Company may be forced by the opening of the Carquinez bridge to discontinue ferry service in two years, the estimated cost of replacements, for the purposes of this proceeding, will be considered as an extraordinary expense and prorated over a period of two years.

After a consideration of all the evidence in this regard, it is our conclusion that for the following two years the most equitable estimate of the maintenance and repair of the Shortway and Morrow Cove terminals is as follows:

	<u>Shortway</u>	<u>Morrow Cove</u>	<u>Total</u>
Ordinary repairs at \$2,000.00 per year	\$ 4,000.00	\$ 4,000.00	\$ 8,000.00
Replacements and strengthen- ing of slips & wharf . .	14,000.00	11,500.00	25,500.00
Morrow Cove Road	- -	5,000.00	5,000.00
<u>Total</u> for two years	\$18,000.00	\$20,500.00	\$38,500.00
<u>Total</u> for one year			19,250.00
Amount previously allowed on operating expense for each year			<u>8,000.00</u>
<u>Total</u> extraordinary expense for one year			<u>\$11,250.00</u>

The Ferry Company's general expense is quite high. The Company pays Directors' fees on the basis of \$50.00 per meeting and holds an average of two meetings per month. One hundred dollars a month is a large fee to pay Directors for a company of this character. The Company allows its President and Secretary each \$250.00 per month for traveling expenses, in addition to salaries of \$6,000.00 each. These officers also receive large salaries as officers of the Golden Gate Ferry Company, and spend only a relatively small portion of their time in connection with the operating of the Rodeo-Vallejo Ferry Company, each having other interests which take a large part of his time.

The Engineering Department's estimate of \$40,300.00 for General Expenses is liberal, and if the Company is soon to discontinue business we see no reason to increase these expenses.

The revised forecast of operating expenses will be as follows:

Operating Expenses, including depreciation,
Commission's Exhibit No. 3, Table No. 4 - \$251,984.00

Extraordinary expense, rebuilding terminals - 11,250.00

Revised Estimate of Operating Expenses - \$263,234.00

The amount of depreciation estimated by the Engineering Department of the Commission would ultimately take care of the loss of the depreciable property if the Ferry Company were to remain in business for an indefinitely long period, but it is apparent that when the Carquinez Bridge is completed the Ferry Company will then find it unprofitable to operate. The Company contends that the rates and fares should not be reduced until a sum has been recovered from earnings equal to the amount invested in the ferry business. The Company, since July 1, 1923, has been setting aside for depreciation of the various units of the property which they claim will be practically worthless on the completion of the Carquinez Straits bridge, such amounts as will be sufficient to completely amortize the non-salvageable portion of the property by December 31, 1925.

The date of the completion of this bridge is an important factor in the determination of the amount that ^{properly} should be allowed the Ferry Company annually toward the amortization of the non-salvageable portion of its property.

Considering the evidence in this case, it is unreasonable to assume that the Carquinez Straits bridge can possibly be completed by the end of the year 1925. Mr. Klatt testified that he expected the bridge to be completed early in 1926, then later testified that the Ferry Company wanted to hold the Valona property to use for auto ferry purposes instead of renewing the Shortway lease if the bridge was not completed by October, 1926. The bridge is estimated to cost approximately \$5,000,000.00 but no showing has been made that the bridge has as yet been financed. The American Toll-Bridge Company has started the construction of the large piers located in the center of Carquinez Straits, but the structural steel had not been ordered when the hearings of this

case were held. It is reasonable to conclude from the magnitude of the work required to construct this bridge, that it will not be completed and ready for traffic prior to December 31, 1926.

The sales value of the steamer "Issaquah," according to the Engineering Department's valuation should be over \$25,000.00. Captain E. C. Genereaux, witness for the Company, estimated that at the end of two years the steamer "Issaquah" would be worth only \$5,000.00 for junk. Capt. Genereaux estimates the life of a wood hull at 20 years and evidently from his testimony believed that the "Issaquah" was constructed in 1914 and it is only ten years old. The engines and the boilers were acquired second-hand and the boat to some extent is obsolete. It is our conclusion that the "Issaquah" if properly maintained can be sold for some useful purpose when the Ferry Company goes out of business and will have a salvage value of at least \$10,000.00.

Capt. Genereaux estimated that the salvage value of the steamer "San Jose" is \$15,000.00. The Engineering Department estimated that the steamer "San Jose" would have a fifteen year life from the date of rebuilding the steamer for the present service. It is our conclusion that if properly maintained the steamer "San Jose" will have a salvage value of at least \$20,000.00. The Company has, to January 1, 1925, paid a rent of \$5,000.00 per month, or a total rent of \$75,000.00. The value of the steamer "San Jose" is amortized as follows:

Book Value	\$160,765.00
Less Salvage Value	20,000.00
Amount to be depreciated	<u>\$140,765.00</u>
Depreciation prior to sale	12,765.00
Amount paid for rent \$75,000.00,	
less \$16,077.00, return for	
15 months on \$160,765.00 book	
value of steamer "San Jose"	58,923.00
Amount to be amortized	<u>\$ 69,077.00</u>

To amortize the Company's depreciable property by the end of 1926 would require the setting aside each of the years 1925 and 1926, the sum of \$76,376.38. The following table gives the amount of depreciation that has already been set up by the Company and the amount that will have to be set up to amortize the depreciable property by December 31, 1926:

	Book Value as of Sept. 30, 1924	Salvage Value Esti- mated	Book Value less Salvage	Total Deprecia- tion and Obsolescence to 9-30-24	Total to be Amortized
Wharves, Docks & Terminals	\$176,933.11	\$ 8,846.65	\$168,086.46	\$103,648.84	\$ 64,437.62
Furniture & Fixtures	1,675.68	167.57	1,508.11	528.24	979.87
Miscellaneous Equipment	6,065.00	606.50	5,458.50	3,782.74	1,675.76
Real Property	35,473.39	35,473.39	--	--	--
Intangibles	9,270.86	--	9,270.86	--	9,270.86
Miscellaneous	11,892.00	--	11,892.00	--	11,892.00
Steamer "Issaquah"	98,160.26	10,000.00	88,160.26	19,631.11	68,529.15
Steamer "San Jose"	160,765.00	20,000.00	140,765.00	12,765.00	128,000.00
Misc. Floating Equipment	840.40	--	840.40	179.49	660.91
	\$501,075.70	\$75,094.11	\$425,981.59	\$140,535.42	\$285,446.17
Less Amount paid as rent of "San Jose"					58,928.00
Less Depreciation for 2 years, charged to Operating Expenses					55,188.00
Less Depreciation & Obsolescence Oct. 1st to Dec. 1st, 1924					18,577.41
Total to be Amortized in two years					\$152,752.76
Total to be Amortized in one year					\$ 76,376.38

Stated in summary form it appears that with the present rates and service in effect the following table fairly represents the average results that may be expected from the Ferry Company's operations

for each of the two ensuing years:

Total Operating Revenue		\$570,800.00
Operating Expenses	\$263,234.00	
Amortization	<u>76,376.38</u>	<u>339,610.38</u>
		\$231,189.62
Taxes - Property & Corporation \$	5,082.00	
Taxes - Income	<u>28,263.00</u>	<u>33,345.00</u>
Operating Income		\$197,844.62
Operative Property, Commission's Valuation as of June 30, 1924		\$360,207.00
Book Value steamer "San Jose"		160,765.00
Materials and Supplies, and Working Capital		<u>18,700.00</u>
Total		\$539,672.00

The return on the Company's investment shown by these estimated financial results would be 36.7 per cent per annum. This return is excessive, and rates charged for the transportation of automobiles that produce such a high return are unjust and unreasonable.

The attention of the Commission during the hearing of this case was called to certain provisions in the Political Code governing a maximum return of 15 per cent allowed to bridge companies connecting highways at opposite points across certain parts of the San Francisco Bay. The Commission is not governed in fixing rates by the provisions of the Political Code, and has not heretofore allowed rates yielding so high a return as 15 per cent. Moreover there is nothing in the evidence submitted in this proceeding which would justify the Commission in allowing a return of 15 per cent upon the rate base herein established. In only a few cases where hazards were extraordinary or where invested capital was relatively

small in proportion to the amount of operating revenues and expenses, has the Commission allowed a return in excess of approximately 8 per cent.

The hazards to the operating properties of ferry boats operating on San Francisco Bay are in certain respects greater than those of most other utilities. It is also true that the ratio of invested capital to the amount of operating revenues and expenses is such that any considerable fluctuation in operating revenues or expenses from the amount estimated might make an important variation in the return. Provision is however made in the estimates herein used for the complete amortization of the non-salvageable properties of this Ferry Company within two years.

The Commission has taken all these facts into consideration in fixing the rates herein, which, with due efficiency and economy on the part of the Company, will reasonably take care of these conditions and provide an adequate return upon the Company's investment.

It is estimated that the rates set forth in Exhibit "A" attached hereto will give substantially the revenue required. The effect of the rate changes will be approximately as follows:

		<u>Present Rates</u>	<u>New Rates</u>
Automobiles	61%	\$348,188.00	\$255,337.00
Passengers	29%	165,532.00	107,585.00
Trucks	3%	17,124.00	12,843.00
Busses	2%	11,416.00	11,416.00
Miscellaneous	<u>5%</u>	<u>28,540.00</u>	<u>28,540.00</u>
	100%	\$570,800.00	\$415,721.00

Based upon the various items set out in the foregoing discussions of cost of operations, revenues, and rate base, the

results of operation for the future may reasonably be assumed as follows:

Revenue		\$415,721.00
Operating Expenses and Amortization . .	<u>339,610.38</u>	
		\$ 76,110.62
Taxes - Property & Corporation-\$5,082.00		
Taxes - Income	<u>8,878.00</u>	<u>13,960.00</u>
Net Revenue		\$ 62,150.62

This operating income shows a somewhat higher rate of return upon the rate base herein established than the Commission would be justified in allowing to a highly stabilized utility. The Commission however has taken into account the various factors of hazard, competition, obsolescence, ratio of invested capital to operating revenue and expense and other conditions above set forth; and in the reduction of rates herein provided, believes that a substantial relief is hereby afforded to the traveling public and that the result will be an accelerated traffic, beneficial to the public and to the Company.

The following form of Order is submitted:

ORDER

The Commission having, on its own motion, instituted an investigation into the reasonableness of rates, services, rules, regulations and practices of the Rodeo-Vallejo Ferry Company; public hearings having been held; the Commission being fully apprized of the facts; the matter being under submission and ready for decision,

IT IS HEREBY FOUND AS A FACT that the rates charged by the Rodeo-Vallejo Ferry Company are not just and reasonable rates for the service rendered.

Basing its Order upon the foregoing finding of fact and other findings of facts contained in the Opinion which precedes this Order,

IT IS HEREBY ORDERED that the Rodeo-Vallejo Ferry Company charge and collect for ferry service rendered under filed schedules, the rates set forth in Exhibit "A" attached hereto and made a part hereof, such rates to be filed with this Commission on or before April 20, 1925, and to become effective on and after May 1, 1925.

For all other purposes the effective date of this Order shall be twenty (20) days from and after the date hereof.

The foregoing Opinion and Order are hereby approved and ordered filed as the Opinion and Order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 1st day of April, 1925.

H. B. Granger
Chairman
Egerton Shore
George D. Squires
Commissioners.

EXHIBIT "A"

THE RODEO-VALLEJO FERRY COMPANY

LOCAL PASSENGER TARIFF

Naming

One Way and Commutation Fares

Between

Shortway, Contra Costa County

And

Morrow Cove, Solano County, California

FARES

One Way. Adult	-	-	-	-	-	-	-	-	\$.10
" " Children, 5 years of age and										
under 12 years of age	-	-	-	-	-	-	-	-		.05
Children under 5 years of age when accompanied										
by parent or guardian	-	-	-	-	-	-	-	-		Free
Individual Calendar Month Commutation Fare.										
good daily, including Sundays	-	-	-	-	-	-	-	-		2.00

LOCAL FREIGHT TARIFF

Naming

Freight Rates

Between

Shortway, Contra Costa County

And

Morrow Cove, Solano County, California.

RATES

Ambulances	-	-	-	-	-	-	-	-	\$.55
Automobiles	-	-	-	-	-	-	-	-		.55

Commercial or Delivery Automobiles and Motor Trucks
(Not exceeding 7 feet wide or 15 feet in length)

1/2 ton capacity and under - - - -	\$.55
3/4 ton capacity - - - -	.75
1 ton capacity - - - -	.75

Commercial or Delivery Automobiles and Motor Trucks
(Exceeding either 7 feet wide or 15 feet in length)

1/2 ton capacity and under - - - -	\$1.15
3/4 ton capacity - - - -	1.50
1 ton capacity - - - -	1.50

Commercial or Delivery Automobiles and Motor Trucks
(Exceeding in load or vehicle both)
(7 feet in width and 15 feet in length)

1/2 ton capacity and under - - - -	\$1.70
3/4 ton capacity - - - -	2.25
1 ton capacity - - - -	2.25

Commercial or Delivery Automobiles and Motor Trucks
(Not exceeding 9 feet wide or 20 feet long
(in load or vehicle)

1½ ton capacity - - - -	\$.95
2 ton capacity - - - -	.95
2½ ton capacity - - - -	1.15
3½ ton capacity - - - -	1.15
5 ton capacity - - - -	1.30

Commercial or Delivery Automobiles and Motor Trucks
 (Exceeding either 9 feet wide or 20 feet)
 (in length either in load or vehicle, or)
 (both.)

1½ ton capacity	-	-	-	-	-	-\$ 1.90
2 ton capacity	-	-	-	-	-	1.90

Commercial or Delivery Automobiles and Motor Trucks
 (Exceeding either 9 feet wide or 20 feet)
 (in length either in load or vehicle, or)
 (both.)

2½ ton capacity	-	-	-	-	-	-\$2.25
3½ ton capacity	-	-	-	-	-	2.25
5 ton capacity	-	-	-	-	-	2.60

COMMUTATION RATES

Automobile and Driver, Calendar Month,
 one round trip daily including Sunday--\$17.50

CALIFORNIA RAILROAD COMMISSION
Engineering Department

Table No. 1

RODEO-VALLEJO FERRY CO.

Comparison of Estimates of Operating Expenses.

	<u>Estimated One Year's Expense</u>	
	<u>Commission's</u>	<u>Company's</u>
	<u>Exhibit</u>	<u>Exhibit</u>
	<u>No.3</u>	<u>No.10</u>
<u>OPERATING BOATS:</u>		
Wages	\$ 81,200.00	\$ 78,970.94
Oil (Fuel and lubricating)	29,700.00	27,523.36
Supplies	610.00	681.52
Maintenance		
Steamer "San Jose"	16,870.00)	
" "Issaquah"	9,640.00)	23,899.92
Rent of Steamer "San Jose"	- -	60,000.00
" " "Hanford"	- -	1,577.82
Total Operating Boats	\$138,020.00	\$192,653.56
<u>OPERATING TERMINALS:</u>		
Ticket Agents' Wages	6,730.00	6,700.00
Other Wages	3,260.00	4,806.12
Office Supplies	420.00	544.56
Heat, Light, Power & Water	4,350.00	3,197.72
Maintenance of Terminals	8,300.00	3,880.54
Miscellaneous	200.00	252.44
Automobiles	1,510.00	1,736.64
Rent of Wharves	12,300.00	12,302.00
Total Operating Terminals	\$ 37,070.00	\$ 33,420.02
<u>DEPRECIATION:</u>	27,594.00	74,309.64
<u>TRAFFIC:</u>		
Salaries and Expenses of Solicitors	3,000.00	3,646.86
Advertising	6,000.00	6,680.58
Total Traffic	\$ 9,000.00	\$ 10,327.44
<u>MISCELLANEOUS AND GENERAL</u>		
Directors' Fees	1,500.00	4,800.00
Salary - A.J.Hanford, President	6,000.00	6,000.00
" -O.H.Klatt	6,000.00	6,000.00
" - Manager & bookkeeper	5,700.00	5,714.00
Printing, postage & stationery	600.00	966.34
Telephone	590.00	505.12
Traveling & auto expense	2,500.00	8,618.90
Legal	1,500.00	3,205.18
Auditing	2,500.00	6,450.00
Consulting Engineer	3,000.00	3,000.00
Insurance	8,540.00	8,653.70
Dues and subscriptions	200.00	289.00
Donations	600.00	- -
Welfare of Employees	1,000.00	3,550.10
Damage to freight	35.00	508.82
License	35.00	- -
Special Services	- -	2,128.22
Total Miscellaneous & General	\$40,300.00	\$60,389.38
Total	\$251,984.00	\$371,100.04