

ORIGINAL

Decision No. 49353

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)	
THE SAN DIEGO AND CORONADO FERRY COMPANY,	:	
a corporation, for authority to issue its)	
promissory note in the principal sum of	:	
\$720,000, and to secure the payment)	Application
thereof by a chattel mortgage on a new	:	No. 34859
ferry vessel, and to use the proceeds)	
thereof for specified purposes.	:	
-----)	

O P I N I O N

This is an application by The San Diego and Coronado Ferry Company for authorization to execute a preferred ship mortgage and to issue a note in the principal amount of \$720,000 for the purpose of financing in part the cost of a new ferryboat.

Applicant is a public utility ferry company engaged in the business of transporting automobiles, passengers and property by ferryboat between the cities of San Diego and Coronado upon the Bay of San Diego. It reports that presently it is conducting its service by means of four ferryboats, that since 1950 there has been a need for the use of an additional ferryboat in its operations, but that it has deferred acquiring this additional equipment because of a movement then under way in Coronado to construct a tube across the bay, which movement, if successful, would result in putting applicant out of business. Applicant further reports that in January of 1952 an election was held under the sponsorship of the City Council of Coronado to determine whether or not the citizens of Coronado wished a tube to replace the ferry and that at said election 1,413 votes were cast for the proposition and 1,596 against it.

Applicant reports that the popular demand for the tube now has decreased and that because the need for additional service on San Diego Bay is so great it has concluded to take the risk of providing a new vessel and has entered upon arrangements to have constructed a ferryboat 242 feet in length and having a capacity of 70 vehicles. It appears that applicant has secured bids for the construction and equipping of the vessel and that it will have certain expenses incident thereto, all in the total amount of \$1,050,000 segregated as follows:

Contracts awarded -	
Atlas diesel generating sets	\$ 181,047.50
Propulsion motors and controls	124,776.00
Construction of hull and installation of generating sets, motors and controls	<u>691,914.00</u>
Sub-total	997,737.50
Architect's fees	45,850.00
Contingencies	<u>6,412.50</u>
Total	<u>\$1,050,000.00</u>

It is anticipated that the new vessel will be delivered on or about March 1, 1954.

Applicant proposes to finance \$330,000 of the costs with its own funds and to borrow \$720,000 from Bank of America National Trust and Savings Association to complete the required payments. The sum to be thus borrowed will be represented by a note bearing interest at the rate of 5% per annum and payable in 72 equal monthly installments. The payment of the note will be secured by a preferred ship mortgage.

A review of applicant's financial statements on file with the Commission shows its reported revenues and expenses during the calendar years 1951 and 1952 and during the first eight months of 1953 as follows:

	<u>1951</u>	<u>1952</u>	<u>1953</u> <u>Jan.-Aug.</u>
Operating revenues	\$1,241,064	\$1,306,797	\$868,537
Operating expenses	<u>1,137,670</u>	<u>1,210,775</u>	<u>808,560</u>
Net operating revenues	103,394	96,022	59,977
Other income	<u>13,315</u>	<u>22,062</u>	<u>13,659</u>
Gross income	116,709	118,084	73,636
Interest and other deductions	-	1,702	-
Net income	<u>116,709</u>	<u>116,382</u>	<u>73,636</u>
Dividends	<u>70,000</u>	<u>70,000</u>	<u>25,000</u>
Balance	<u>\$ 46,709</u>	<u>\$ 46,382</u>	<u>\$ 48,636</u>

Included in the operating expenses are depreciation charges of \$115,766 during 1951, \$129,984 during 1952 and \$73,289 during the first eight months of 1953.

The financial position of applicant as of August 31, 1953, as indicated in its balance sheet as of that date, is shown below:

Assets

Current assets -		
Cash	\$ 169,833	
Materials and supplies	66,258	
Other current assets	<u>45,544</u>	
Total current assets		\$ 281,635
Due from affiliated companies		460,000
Net investment in property and equipment		<u>744,517</u>
Total		<u>\$1,486,152</u>

Liabilities and Capital

Current liabilities		\$ 201,869
Deferred credits		6,483
Capital -		
Common stock	\$ 250,000	
Surplus	<u>1,027,800</u>	
Total capital		<u>1,277,800</u>
Total		<u>\$1,486,152</u>

All of applicant's outstanding stock is held by City Transit Systems, which also holds the outstanding stock of San Diego Transit System.

Upon considering this application and the financial statements, it appears to us that applicant will have need for the

proposed borrowing in order to acquire the additional equipment and that on the basis of past results of operations its earnings should be sufficient to enable it to service the proposed note. We are of the opinion that the money, property or labor to be procured or paid for by the issue of the note herein authorized is reasonably required by applicant for the purpose specified herein and that such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income.

Accordingly, an order will be entered granting the application.

O R D E R

The Commission having considered the above entitled matter, and being of the opinion that a public hearing is not necessary and that the application should be granted, as herein provided; therefore,

IT IS HEREBY ORDERED as follows:

1. The San Diego and Coronado Ferry Company may issue a promissory note, on or before March 31, 1954, in the principal amount of not exceeding \$720,000, for the purpose of financing in part the cost of the ferryboat to which reference is made in this proceeding, and may execute a preferred ship mortgage, which note and preferred ship mortgage shall be in, or substantially in, the same forms as those filed in this proceeding.

2. The San Diego and Coronado Ferry Company shall file with the Commission a report, or reports, as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

3. The authority herein granted will become effective when The San Diego and Coronado Ferry Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$720.00.

Dated at San Francisco, California, this 24th day of November, 1953.

R. B. [Signature]
President

Justice D. Cooney

Francis P. [Signature]

[Signature]

Donna [Signature]
Commissioners

