

ORIGINALDecision No. 55699

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 SHEARWATER, INC., a California cor-)
 poration, for change in route, and) Application No. 39132
 for increase in rates)

D. V. Hanneken and Robert A. Keller, by Robert A. Keller, for applicant.

Henry E. Jordan for the Bureau of Franchises and Public Utilities of the City of Long Beach, interested party.

A. L. Gielegem and Glenn E. Newton, for the Commission staff.

O P I N I O N

By Decision No. 53849, dated October 1, 1956, in Application No. 37865, applicant was authorized to operate a regular daily scheduled service with glass-bottom boats in Long Beach Harbor. This service has not been inaugurated.

By Decision No. 48806, dated July 7, 1953, in Application No. 34128, applicant was given authority to carry passengers in the motor boat Shearwater between points in the Los Angeles-Long Beach Harbors via a designated route, and to establish rates for the use of said boat. The rates established for individuals,

Cal. P.U.C. No. 1, were as follows:

1. Scheduled Service
 - A. Individual fares

| | |
|---|--------|
| Adult, per person | \$1.74 |
| Child, per person | |
| 12 years or older | 1.74 |
| 5 years or older but less than 12 years | .87 |
| Less than 5 years | Free |

By the application herein, filed on June 6, 1957, applicant sought (1) to modify the authority granted by Decision No. 48806, referred to supra, by changing the authorized route to three routes, and (2) to increase the scheduled service individual fares as follows:

| | |
|---|--------|
| Adult, per person | \$1.82 |
| Child, per person: | |
| 12 years or older | 1.82 |
| 5 years or older, but less than 12 years | .91 |
| Less than 5 years | Free |

No other fare changes were requested.

By Decision No. 55303, dated July 22, 1957, in Application No. 39132, the Commission authorized the applicant to change the routing authorized by Decision No. 48806, referred to supra, but required that the authorized rates be continued in effect until further order.

A public hearing on the rate increase portion of the application was held in Long Beach on August 21, 1957, before Examiner Kent C. Rogers, evidence was presented and the matter was submitted. Prior to the hearing, notice thereof was published as required by this Commission. There were no protests.

As justification for the increased fares, applicant alleged that when the proposed three routes (now authorized by Decision No. 55303) are inaugurated there will be an increase in the miles traveled per day; that this increased distance in turn will increase the running time, the working hours of the personnel, the fuel consumption, and the wear and tear on the equipment; and that the cost of supplies, repairs and labor has increased since

the fares were established at the time Decision No. 48806 was rendered.

Applicant operates on a fiscal year ending on April 30. Exhibit "C" on the application shows a net loss from the operations of \$48.93 for the fiscal year ending April 30, 1957. This loss allegedly does not paint a true picture of the facts according to applicant for the reason that it realized \$2,332.83 by the sale of property and, therefore, its correct loss from operations was \$2,381.76 for the said fiscal year (Exhibit "C" on the application).

The evidence at the hearing showed that when the ship Shearwater was first placed in operation in 1953, pursuant to Decision No. 48806, applicant collected fares at the authorized rates of \$1.74 and 85 cents plus 15 percent for the federal transportation tax, and that when this tax was reduced to 10 percent effective April 1, 1954, applicant continued to charge the same total rates as before, i.e., \$2.00 and \$1.00, retaining the extra percentage; and that since February, 1957, applicant has on some occasions collected \$2.00 and \$1.00 fares and on other occasions has collected the authorized fares plus 10 percent for the transportation tax.

The applicant prepared figures showing its results of operations under its fares collected during the fiscal year ending April 30, 1957 (Exhibit "C" on the application), and for the estimated fiscal year ending April 30, 1958 (Exhibit "E" on the application) purportedly under present and proposed fares. Inasmuch as the presently collected fares are actually the requested

fares, the applicant's witness stated that the greater contemplated revenues are based on the assumption that there will be an increase in the number of passengers carried of about 5 percent per year.

Applicant's calculations of its results of operations for the fiscal year ending April 30, 1957, and its estimated results of operations for the fiscal year ending April 30, 1958, with and without the contemplated 5 percent increase in passengers carried are set out below:

| <u>Receipts</u> | <u>Period Ending April 30, 1957</u> | <u>Estimated for period ending April 30, 1958</u> | |
|------------------------------|---|---|---------------------------------|
| | | <u>Present Passengers</u> | <u>Estimated Passengers</u> |
| Ticket Sales | \$ 55,032 | \$ 55,031 | \$ 57,781 |
| Charters | 9,236 | 9,236 | 10,000 |
| Miscellaneous | <u>1,482</u> | <u>1,482</u> | <u>1,500</u> |
| Total | \$ 65,750 | \$ 65,749 | \$ 69,281 |
| Expenses | | | |
| Commissions Paid | \$ 1,639 | \$ 1,639 | \$ 1,750 |
| Salaries | 22,827 | 27,500 | 27,500 |
| Payroll Taxes & Insurance | 1,000 | 1,000 | 1,000 |
| Rent - Piers | 6,825 | 6,825 | 7,000 |
| Repairs | 12,358 | 7,500 | 7,500 |
| Interest | 320 | 500 | 500 |
| Insurance & Taxes | 4,816 | 5,000 | 5,000 |
| Depreciation Expense | 4,839 | 4,000 | 4,000 |
| Oper. Fuel & Supplies | 4,685 | 5,000 | 5,000 |
| Advertising | 6,839 | 7,500 | 7,500 |
| Telephone & Utilities | 411 | 450 | 450 |
| Legal & Auditing | 854 | 1,000 | 1,000 |
| Miscellaneous | <u>1,116</u> | <u>1,000</u> | <u>1,000</u> |
| Total | \$ 68,529 | \$ 68,914 | \$ 69,200 |
| Net Gain (or Loss) | <u>(\$ 2,779)</u> | <u>(\$ 3,165)</u> | \$ 81 |
| Operating ratio | 104% | 105% | 100% |
| Rate Base | \$ 49,419 | \$ 49,419 | \$ 49,419 |
| Rate of Return | - | - | .12% |
| <u>(Red Figure)</u> | | | |

The staff checked the applicant's books and made a summary of the results of operations for the fiscal year ending April 30, 1957, and estimated the results of operations under the presently authorized fares for the year ending September 30, 1958, and also estimated the results of operations for the year ending September 30, 1958, under the proposed (the actually presently collected) fares. The staff's figures are set out below:

| Item | Book Records 12 Mos. Ending April 30, 1957 | Year Ending September 30, 1958 | |
|----------------------------|--|--------------------------------|---------------------------|
| | | Authorized Fares | Proposed present Fares |
| Revenue | | | |
| Passenger | \$ 55,033 | \$ 52,680 | \$ 55,270 |
| Charter | 9,236 | 8,810 | 9,240 |
| Other | <u>1,474</u> | <u>1,470</u> | <u>1,470</u> |
| Total | \$ 65,743 | \$ 62,960 | \$ 65,980 |
| Expense | | | |
| Maintenance | \$ 12,358 | \$ 7,500 | \$ 7,500 |
| Transportation | 15,720 | 15,540 | 15,540 |
| General Expense | 22,973 | 18,390 | 18,870 |
| Operating Rents | <u>6,826</u> | <u>6,530</u> | <u>6,850</u> |
| Total | \$ 57,877 | \$ 48,360 | \$ 48,760 |
| Depreciation | 4,439 | 5,180 | 5,180 |
| Operating Taxes | <u>5,817</u> | <u>5,800</u> | <u>5,800</u> |
| Total | \$ 68,133 | \$ 59,340 | \$ 59,740 |
| Net before Income Taxes | (<u>\$ 2,390</u>) | \$ 3,620 | \$ 6,240 |
| Income Taxes | <u>25</u> | <u>1,080</u> | <u>1,940</u> |
| Net Income | (<u>\$ 2,415</u>) | \$ 2,540 | \$ 4,300 |
| Operating Ratio % | 103.7 | 96.0 | 93.5 |
| Rate Base | \$ 51,640 | \$ 50,190 | \$ 50,190 |
| Rate of Return % | - | 5.1 | 8.6 |

(Red Figure)

The applicant's witness stated that the applicant's forecast presents a true picture assuming that salaries of personnel are brought into existing scale. He pointed out that the captain of the Shearwater receives only \$500 per month salary; that Mr. Stillwell, applicant's vice president and general manager, receives only \$350 per month salary, and that its full time bookkeeper receives only \$250 per month salary. In its forecasts of its results of operations applicant increased the estimates of salaries approximately \$5,000 per year to allow for reasonable increases. The witness also stated that the salaries shown by the applicant to have been paid are the salaries for all of applicant's employees, including those operating boats other than the Shearwater.

The staff witness stated that in actuality the applicant's operations for the fiscal year ending on April 30, 1957, show an earning of \$2,468 rather than a loss of \$2,415.^{1/} He stated that the applicant's records show repairs amounting to \$12,558, and that a substantial portion of this amount should be a charge to capital upon which depreciation expense should be taken. If the items were properly distributed in the books, he said the applicant would have had an operating ratio of 97.3 percent for the year ending April 30, 1957. In the staff's estimate of expenses for the year ending September 30, 1958, only \$7,500 was allowed for maintenance due to the placing of a portion of the maintenance expense in capital. The witness also stated that there is a difference between the staff's allowance for general expense for the said estimated year due to the deletion of a

^{1/} Applicant's recorded results of operations for the year ending April 30, 1957, show a loss of \$2,381 (Exhibit "C" on the application).

total of \$4,665 in salaries paid to the elder Stillwells who spend their time traveling and promoting the Shearwater. In addition, the witness stated that the normal annual passenger increase of the Shearwater does not amount to the 5 percent per year estimated by the applicant and that in the past such increase has been very slight.

The foregoing operating results presented by the staff are hereby adopted as reasonable. Based upon the evidence in the proceeding, we hereby find that the rates which the applicant requests and which will be prescribed herein will produce a rate of return of 8.6 percent on a rate base of \$50,190. Said return and rate base we hereby find to be reasonable. The increase of rates herein sought we hereby find to be justified.

The evidence of record indicates that applicant has not consistently charged for its service the proper fares in accordance with its filed tariff. Applicant should understand and it is hereby advised that it must hereafter abide by its tariff as filed and that failure to do so will make it liable for penalties.

O R D E R

Based upon the evidence of record and upon the conclusions and findings set forth in the preceding opinion,

IT IS HEREBY ORDERED that Shearwater, Inc., be and it is hereby authorized to amend, on not less than two days' notice to the Commission and to the public, Part II 1A of its Passenger Tariff Cal. P.U.C. No. 1 by establishing the following fares, exclusive of federal transportation tax, in lieu of those set forth in said portion of said tariff, for the transportation

of passengers via the routes described in Decision No. 55303,
dated July 22, 1957, in Application No. 39132:

Rates

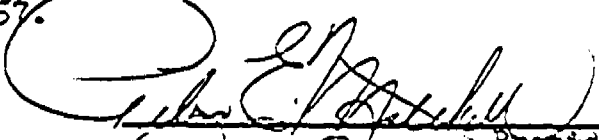
I. Scheduled Service


A. Individual Fares

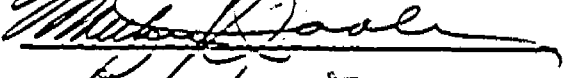
| | |
|---|--------|
| Adult, per person | \$1.82 |
| Child, per person 12 years or older | 1.82 |
| 5 years and older but less than 12 years | .91 |
| Less than 5 years | Free |


The effective date of this order shall be the date
hereof.

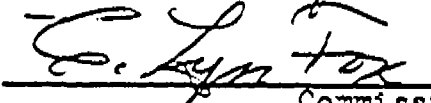
Dated at San Francisco, California, this 15th
day of OCTOBER, 1957.



President








Commissioners