

NW

Decision No. 79377

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of DAVEY'S LOCKER, INC., a)
California corporation, for)
authorization to adjust rates of)
fare for the transportation of)
passengers by vessel between)
Newport Beach and Avalon, Santa)
Catalina Island, California.)

Application No. 52776
(Filed July 27, 1971)

O P I N I O N

Davey's Locker, Inc. operates a vessel as a common carrier engaged in the transportation of persons and hand baggage between Newport Beach, California and Avalon, Santa Catalina Island, California. Certificate of Public Convenience and Necessity was authorized by Decision No. 69132 dated May 25, 1965 pursuant to Application No. 47305.

Applicant has requested an increase in fares from those presently authorized, as indicated below:

	Present Fare	Proposed Fare
Adult one-way	\$4.25	\$4.75
Adult round-trip	8.50	9.50
Child, under 12 years, one-way	2.13	2.37
Child, under 12 years, round-trip	4.25	4.75

One-way fares of \$4.75 for adults and \$2.37 for children under 12 years of age were authorized in Decision No. 69132 and were in effect from June 27, 1965 until being reduced to the present fares of \$4.25 and \$2.13, effective June 10, 1967.

Applicant alleges it is operating at a loss under the present fares with an operating ratio of 100.6%, after income taxes, and alleges that its proposed fares would result in an operating ratio of 95.0%, after income taxes.

Review of the carrier's operating results indicates that for 1970 it received \$67,414 and incurred \$67,847 expenses to result in a loss of \$433.

After consideration of expenses and traffic data, it is estimated that losses will continue in the coming year under present fares.

The Finance and Accounts Division submitted a report, which is received in evidence as Exhibit No. 1 in this proceeding. The report recommends granting the fare increases as sought. It also points out certain deficiencies in applicant's books of account which applicant is admonished to correct.

A major accounting adjustment made by the staff was to reduce the depreciation reserves applicable to transportation property to the amount that would have been accrued had straight-line (normal life) depreciation rates been used rather than the more liberal rates (shorter lives) utilized for income tax purposes. Such excess depreciation, not allowable for rate-making purposes, had the effect of materially overstating the depreciation reserves applicable to the transportation property and depressing recorded earnings. Considering the size of applicant, it appears proper in this proceeding to utilize the staff adjusted amounts for both depreciation reserve and expense. Such action should not be construed as establishing a precedent for making like adjustments when companies of a larger size are involved or where somewhat different circumstances may prevail.

The Commission finds that:

1. Applicant should improve books to conform with Uniform System of Accounts for Class B Carriers by Water. Specific revenue accounts should include:
 - 510 Passenger Revenue
 - 520 Other Transportation
(Revenue includes refreshment, etc.)
 - 530 Charter Revenue

1. (Continued)

Specific expense accounts should include:

- 600 Repairs of Equipment
 - 610 Repairs of Terminals
 - 620 Depreciation of Property & Equipment
 - 630 Traffic Expenses
 - 640 Transportation - Operation of Vessels
 - 650 Transportation - Operation of Terminals
 - 660 Incidental Expenses
 - 670 General Expenses
 - 680 Charter or Lease Expenses
2. A method of allocation should be established to separate utility and nonutility expenses.
 3. Applicant is operating at a loss.
 4. The proposed increase in fares is justified.
 5. A public hearing is not necessary.
 6. The application should be granted.
 7. The rate authorized is in the lower zone of reasonableness and is consistent with the purposes of the Federal Government's economic stabilization program in that the increased fares are to compensate for increased operating expenses incurred prior to the President's economic stabilization program.

ORDER

IT IS ORDERED that:

1. When changes designated in Findings 1 and 2 have been accomplished, applicant's books are to be made available to the Commission staff for review.
2. Davey's Locker, Inc. is authorized to establish the following increased fares for the transportation of passengers by vessel between Newport Beach, California and Avalon, Santa Catalina Island, California:

Per adult

One-Way \$4.75

Round-Trip \$9.50

Per child under 12 years

One-Way \$2.37

Round-Trip \$4.75

and amendments to applicant's tariff to be made as a result of this order may be made effective not earlier than five days after the effective date hereof on not less than five days' notice to the Commission and to the public

3. The authority granted herein shall expire unless exercised within ninety days after the effective date of this order.

4. In addition to the required posting and filing of tariffs, applicant shall give notice to the public by posting in its vessels and at its terminals an explanation of its fares. Such notice shall be posted not less than five days before the effective date of the fare changes, and unless superseded shall remain posted for a period of not less than thirty days.

The effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California, this 23rd day of NOVEMBER, 1971.

William J. Quinn Chairman
J. P. Vukasin, Jr.
Vernon L. Stinger
Ed. DeLoe Commissioners

Commissioner J. P. Vukasin, Jr., being necessarily absent, did not participate in the disposition of this proceeding.