

Decision No. 86032**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application )  
 of M.G.R.S., Inc., a California )  
 corporation, for authority to )  
 adjust rates. )

Application No. 55721  
 (Filed June 2, 1975)

SECOND INTERIM OPINION

By Decision No. 84619 (1975), M.G.R.S., Inc. was authorized to increase fares on an interim basis for transportation of passengers on the steamship Catalina between San Pedro (Los Angeles Harbor) and Avalon, Santa Catalina Island. The steamship Catalina (capacity 2,184 passengers) is operated during the summer season only (approximately June 15 to September 15 each year). During the rest of the year it remains idle at the dock in San Pedro.

The interim fare increases authorized by Decision No. 84619 were one-half of the fare increases sought in Application No. 55721. The authorized interim fares and the proposed fares are reproduced below:

	Interim Fares (Decision 84619)		Proposed Fares	
	One Way	Round Trip	One Way	Round Trip
Adult	\$ 5.50	\$ 11.00	\$ 6.25	\$ 12.50
Child, 12 and over	5.50	11.00	6.25	12.50
Child, 5 through 11	2.85	5.65	3.25	6.50
Child under 5	.25*	.50*	.25*	.50*
Group Fares Per Person (100 or more)	-	9.25	-	10.50
Passes	.25*	.50*	.25*	.50*
10-ride Commute Ticket	35.00	-	40.00	-
Round-trip Charter	-	8,875.00	-	9,500.00

\*Means no change in rates sought.

The interim fares in Decision No. 84619 were found justified based on preliminary staff analysis, applicant's allegations and supporting data, and annual reports on file. Consideration of the remainder of the sought increases was deferred pending completion of a staff financial study of applicant's operations. That study has now been completed. The 40-page document entitled "Financial and Accounting Report on MGRS, Inc." dated June 9, 1976 is included in the file in this application as Exhibit 1.

Table K of Exhibit 1 is a staff-adjusted pro forma operating statement for the 1975 calendar year at interim rates authorized by Decision No. 84619. The statement shows operating revenues of \$1,369,278 and operating expenses of \$1,325,453, after taxes, for an operation ratio of 96.8. Net carrier operating income is shown at \$43,825.

Table L of Exhibit 1 is a staff-adjusted pro forma operating statement for the 1975 calendar year at the requested rates (100 percent of the sought increases). The statement shows operating revenue of \$1,523,128 and operating expenses of \$1,399,725, after taxes, for an operating ratio of 91.9. The increase in total operating revenue under 50 percent of the sought increase (Decision No. 84619) is shown as \$155,021. Under the requested rates the increase in total operating revenue would be \$308,871. Net carrier operating income would be \$123,403.

Conclusions in paragraph 33 of Exhibit 1 can be summarized as follows: Applicant is in serious financial condition. Further increases in passenger fares are needed. Applicant has a large amount of delinquent long-term debt with a small amount of net carrier investment. The entire risk of loss accrues to applicant's creditors. Applicant has experienced increases in carrier operating expenses coupled with a loss of income from a

lease arrangement for terminal facilities. Applicant's operations and financial matters are so intermeshed with those of its six affiliated companies as to preclude consideration on any basis other than that of consolidation.<sup>1/</sup> Applicant's general ledger and accounting records are not in general conformance with the uniform system of accounts. There is not sufficient particularity to show facts pertaining to entries in the accounts.

In paragraph 34 of Exhibit 1 it is recommended that applicant be granted authorization for a total of 70 percent of the increases in passenger fares requested in Application No. 55721. This would produce a total increase of \$216,210 or 17.8 percent. As explained above, approximately \$155,000 of this amount reflects revenue under the interim increase authorized in 1975 by Decision No. 84619. The difference would be a further increase of approximately \$61,000 or 4-1/2 percent. This should provide applicant with a carrier operating ratio of approximately 94.5 after taxes on income. Paragraph 34 of Exhibit 1 also recommends that applicant

---

<sup>1/</sup> The names of the companies and their operating functions are listed below:

M.G.R.S., Inc. (applicant):	Operates passenger service of S. S. Catalina.
Catalina Terminals:	Lessee of terminal facilities for S. S. Catalina.
Avalon Navigation:	Was an operator of a small passenger vessel.
Catalina Transportation:	Owner of the S. S. Catalina.
Channel Concessions:	Operator of liquor and snack bar on S. S. Catalina.
Catalina Motor Cruisers, Inc.:	Operator of small passenger vessels.
Catalina Cruise Lines:	Was operator of the Carib Star.

be directed to make its general ledger, accounting records, and accounting procedures conform with the Uniform System of Accounts for Carriers by Inland and Coastal Waterways, as prescribed by the Interstate Commerce Commission and adopted by this Commission. It further states that applicant be directed to support fully all entries in its general ledger accounts by accounting documents or work sheets.

Exhibit 1 demonstrates that an additional increase in rates is justified. Accordingly, we will authorize further interim fare adjustments at this time. Final consideration of applicant's total fare proposal should be made following public hearing.

Findings

1. M.G.R.S., Inc. was authorized interim increases in passenger rates by Decision No. 84619 (1975), amounting to approximately 50 percent of total increases sought in Application No. 55721.

2. The Commission staff financial study identified as Exhibit 1 discloses that applicant is in serious financial condition.

3. Exhibit 1 shows that applicant should be authorized interim rate increases amounting to 70 percent of the rate increases sought in this proceeding, pending determination of final rate relief after public hearing.

4. Seventy percent of the total sought increase would produce an operating ratio for applicant of approximately 94.5.

5. The rates authorized in Appendix A will further increase applicant's annual gross revenues by approximately \$61,000 or 4-1/2 percent.

The Commission concludes that the rates in Appendix A should be authorized on an interim basis subject to conditions relative to accounting and service specified in the order, and that permanent relief should be considered at a later date. The order should be made effective on the date of signing because applicant is now in its revenue season and any delay would result in inadequate revenue.

SECOND INTERIM ORDER

IT IS ORDERED that:

1. Subject to the conditions set forth below, applicant is authorized to establish on an interim basis the increased rates and charges contained in Appendix A of this decision.

2. Tariff publications authorized to be made as a result of this order shall be filed not earlier than the effective date of this order and 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 sixty days after the effective date of this order.

4. This authority is contingent upon applicant continuing full and proper service to the public, including baggage service.

5. This authority is contingent upon applicant making its general ledger, accounting records, and accounting procedures

conform with the Uniform System of Accounts for Carriers by Inland and Coastal Waterways adopted by Decision No. 73972 (1968) and making all entries in its general ledger accounts fully supported by accounting documents or work sheets.

The effective date of this order is the date hereof.

Dated at San Francisco, California,  
this 29<sup>th</sup> day of JUNE, 1976.

William J. S. S. S. President  
Vernon J. Sturgeon  
Robert Bateman Commissioners

Commissioner D. W. Holmes, being necessarily absent, did not participate in the disposition of this proceeding.

## APPENDIX A

Revised Interim Rates for M.G.R.S., Inc. (S.S. Catalina)

	<u>One Way</u>	<u>Round Trip</u>
Adult	\$ 5.80	\$ 11.60
Child, 12 and over	5.80	11.60
Child, 5 through 11	3.00	6.00
Child under 5	.25*	.50*
Group Fares Per Person (100 or more)	-	9.75
Passes	.25*	.50*
10-ride Commute Ticket	37.00	-
Round Trip Charter Rate	-	9,125.00

\*Means no change in rates sought.