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Decision 92-05-050 May 20, 1992

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Catalina Channel
Express, Inc., a California
corporation, for authority to adjust
its rates.)

ORIGINAL
Application 92-04-006
(Filed April 6, 1992)

O P I N I O N

Catalina Channel Express, Inc. (Catalina Express or applicant) seeks to increase its rates.

Applicant is a common carrier by vessel (VCC-52) and is authorized to transport passengers and their baggage in scheduled service between Berth 95-96 in Los Angeles Harbor (San Pedro) and Redondo Beach, on the one hand, and certain points on Santa Catalina Island on the other hand, and between Long Beach and Dana Point, on the one hand, and Avalon on Santa Catalina Island, on the other hand. Applicant is also authorized to transport passengers and their baggage in non-scheduled (charter) service between San Pedro and Long Beach, on the one hand, and all points on Santa Catalina, on the other hand.

Applicant presently has two levels of fares between San Pedro and Catalina: A \$16.13 one-way adult fare for "Super Express" vessels (applicant's newer vessels which travel at a speed of at least 30 knots), and a \$13.75 one-way adult fare for applicant's other vessels. At the time this two-tier fare structure was instituted, the Super Express vessels were the exception on the San Pedro-Catalina route. As applicant has acquired additional Super Express vessels, the majority of passengers on the San Pedro Catalina route now travel on Super Express vessels. For this reason applicant seeks to eliminate this two-tier fare structure so that the same fare between San Pedro and Catalina will apply to all of applicant's vessels.

Applicant seeks to do four things with its fare structure by this application: (a) establish a uniform commuter fare, which is lower than the existing Super Express commuter fare but higher than the existing non-Super Express commuter fare, which will apply to all of applicant's present vessels from either San Pedro or Long Beach to either Catalina terminal, (b) eliminate the two-tier fare structure between Super Express vessels and other vessels by adopting the higher Super Express fares for all vessels; (c) increase its fare on the Long Beach/Avalon route by \$.50 for the adult one-way ticket, and proportionally for children, seniors, etc.; and (d) increase its charter rates between San Pedro and Long Beach on the one hand, and Catalina on the other hand, by approximately 14%.

Attached to the application as Exhibit E is a Statement of Operating Income and Expenses of applicant setting forth the actual results of operation before taxes for the twelve months ending December 31, 1991, together with the estimated results of operation at present and proposed fares before taxes for the twelve months ending with the June 30, 1993 test year. In test year 1993, under present fares gross operating revenue is estimated at \$10.3 million; under proposed fares \$11.4 million. This is an increase of approximately 11%. Under present fares, the operating ratio for 1991 was 98.5% before taxes. Under present fares, the operating ratio for the test year will be 104.2% before taxes. Under proposed fares the operating ratio for the test year will be 96.3% before taxes. Applicant states that 96.3% is a reasonable operating ratio before taxes for the service performed by applicant. The Commission has recognized as reasonable an operating ratio of 88.15% before taxes in Decision 84-04-088 (14 CPUC 2d 641).

The total passengers carried by applicant during the five months ended March 31, 1992, has declined from the same five months one year earlier by over 14,500 passengers, an 8% decrease in

passengers carried. Applicant believes that this decrease is caused by the current economic recession and by less favorable weather conditions (more rain). In applicant's opinion, the presently developing El Nino weather condition makes it likely that the spring and summer of 1992 will continue to offer less favorable weather conditions for applicant's business than the prior year. Applicant's operating expenses are, for the most part, increasing, especially in the area of employee benefits as a result of substantial increases in health insurance premiums and the cost of compliance with Regulation 15 of the Environmental Protection Agency relating to employee commuter program incentives. These developments, together with applicant's investment in the renovation of two vessels, necessitate rate relief at this time. Applicant asserts that immediate relief is necessary. The summer season, during which applicant carries the majority of its passengers, is about to begin, and if the proposed fares cannot be made effective by July, much of benefit of the requested increase will be lost.

Findings of Fact

1. Applicant seeks authority to increase its passenger fares approximately 11% to offset increased operating expenses.
2. Notice of the filing of the application appeared in the Daily Transportation Calendar on April 9, 1992. No protests have been filed. A hearing is not necessary.
3. Applicant's operations in the test year ending June 30, 1993, under present fares would be at a loss of \$430,100 with an operating ratio of 104.2%.
4. The proposed fares will result in estimated annual operating revenues of \$11.4 million, and net operating income of \$421,300, with an operating ratio of 96.3%.
5. The requested fares are necessary and justified.

6. The increases in rates and charges authorized by this decision are justified, and the resulting fares are just and reasonable.

Conclusion of Law

The fares requested in Application 92-04-006 are just and reasonable and should be granted.

O R D E R

IT IS ORDERED that:

1. Catalina Channel Express, Inc. is authorized to establish the increased rates (rules or fares) proposed in Exhibit C to Application 92-04-006. Tariffs shall be filed on or after the effective date of this order. They may go into effect 5 days or more after the effective date of this order on not less than 5 days' notice to the Commission and to the public.

2. The authority shall expire unless exercised within 90 days after the effective date of this order.

3. In addition to the required posting and filing of tariffs, applicant shall give notice to the public by posting in applicant's vessels a printed explanation of the fares. Such notice shall be posted not less than five days before the effective date of the fare changes and shall remain posted for a period of not less than 30 days.

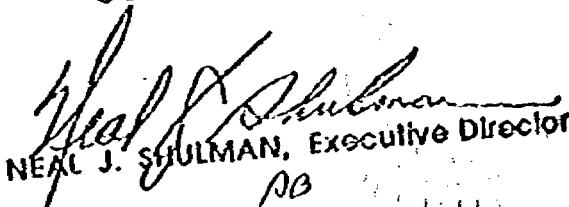
This order is effective today.

Dated May 20, 1992, at San Francisco, California.

DANIEL Wm. FESSLER
President
JOHN B. OHANIAN
NORMAN D. SHUMWAY
Commissioners

Commissioner Patricia M. Eckert,
being necessarily absent, did not
participate.

I CERTIFY THAT THIS DECISION
WAS APPROVED BY THE ABOVE
COMMISSIONERS TODAY


NEAL J. SHULMAN, Executive Director
RB