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Decision No. 87637 AUG 9 1977

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application  
of ISLAND NAVIGATION COMPANY,  
INC., a California Corporation  
doing business as CATALINA ISLAND  
WATER TRANSPORTATION CO., for  
authorization to adjust and/or  
increases rates of fare.

Application No. 57405  
(Filed June 29, 1977)

O P I N I O N

Applicant is a common carrier by vessel engaged in the transportation of persons and hand baggage between points and places on Santa Catalina Island and as a passenger water taxi service. This operation is conducted pursuant to a certificate of public convenience and necessity granted by D.86044 in A.56067 dated June 29, 1976.

By this application, authority is sought for an interim increase in the passenger fares, pursuant to Section 454 of the Public Utilities Code. It is proposed to increase fares by approximately 66 percent which will produce an increase of \$19,408 in annual gross revenue. The present and proposed fares are:

		<u>Present Fares</u>	<u>Proposed Fares</u>
<u>Area 1.</u>	Adults	\$ .50	\$ .75
	Children, 12 and under	.25	.35
<u>Area 2.</u>	Adults	.60	1.00
	Children, 12 and under	.25	.50
<u>Area 3.</u>	Per trip, one way	15.00	22.50
<u>Area 4.</u>	Per trip, one way	17.50	26.00
<u>Area 5.</u>	Per trip, prorated, one way	25.00/hr.	37.50
	"On-Call" Charter	25.00/hr.	37.50/hr.

Applicant's present fares are based upon those of its competitors in 1975-1976. Applicant declares that these fares have not been increased since 1973 or earlier; that all operating costs have increased substantially; that its owners have drawn no salary because no funds have been available for this purpose; and that 80 percent of its revenues are derived from seasonal visitors and boaters during the months of July, August, and September. The summary of earnings for 1976 shows a net operating loss of \$4,392. Applicant used 1976 as a test year and applied the increased revenues but used the 1976 recorded costs and expenses, except for salaries of \$800 per month for each of the two owners. On this basis a net gain of \$616 is projected.

The staff of the Transportation Division reviewed the application. No serious deficiencies were noted. The staff points out that the legal and accounting expense should be adjusted downward by \$3,859, agreed to by applicant's attorney and that the interest expense shown under operating expense should be shown under nonoperating expenses. It pointed out that if a 1977 test year had been used, the projected expenses would be higher than the recorded expenses for 1976 used.

Applicant has referred us to an application for increased fares recently filed by its competitor, Island Enterprises, Inc. (Island). We take official notice of A.57256 and note that on July 6, 1977 we issued D.87559 wherein we authorized Island to increase its fares to the same level as being sought here.

Copies of the application were served upon 11 interested parties. The application was listed on the Commission's Daily Calendar of June 30, 1977. No protests have been received.

Findings of Fact

1. The interim fare increase sought by applicant is justified and should be granted on a permanent basis.
2. The service provided by applicant is primarily summer-seasonal business.
3. The requested increase will result in additional annual revenue of \$19,408.
4. The provision of \$800 per month salary for each of the two owners is reasonable.
5. The recorded costs and expenses for 1976 result in an understatement of operating expenses for 1977.
6. A public hearing is not necessary.

The Commission concludes that the application should be granted on a permanent basis.

O R D E R

IT IS ORDERED that:

1. Island Navigation Company, Inc., doing business as Catalina Water Transportation Co., is authorized to establish the increased fares proposed in A.57405. Tariff publications authorized to be made as a result of this order may be made effective not earlier than five days after the effective date of this order and on not less than five days' notice to the Commission and to the public.

2. The authority shall expire unless exercised within ninety 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 its vessels and terminals a printed explanation of its rates. Such notice shall be posted not less than five days before the effective date of the rate changes and shall remain posted for a period of not less than thirty days.

Since the summer season with increased traffic has already commenced, the effective date of this order is the date hereof.

Dated at San Francisco, California, this 9<sup>th</sup> day of AUGUST, 1977.

Robert Bateman  
President  
William J. ...  
Clare ...

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Commissioners

Commissioner Vernon L. Sturgeon, being necessarily absent, did not participate in the disposition of this proceeding.

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